

# Market Analysis

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## Inside Market Analysis

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## Summary and Recommended Investment Strategy.

The general stockmarket outlook is only slightly favourable, but there is no shortage of attractive investments. Our existing shares continue to perform well and we expect to identify several new investment opportunities over the next few months. So remain close to fully invested (but with a small cash holding from recent sales).

## Investment Outlook.

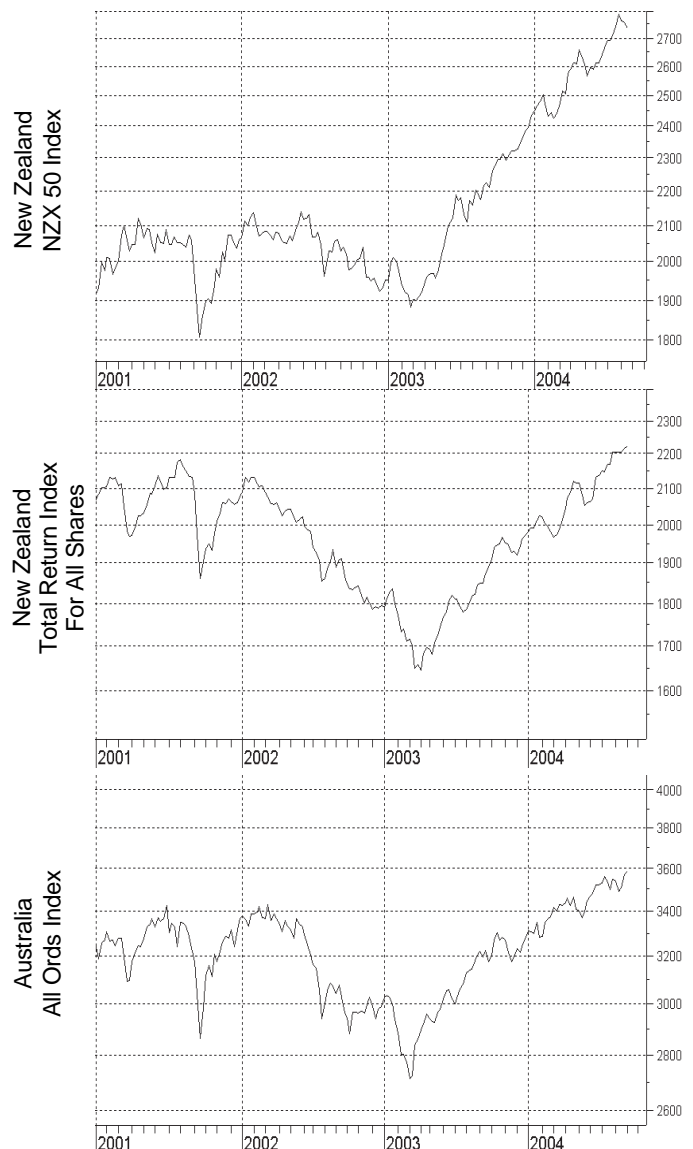
Our One-Year Forecast model is only slightly Bullish (i.e. favourable) for both the Australian and New Zealand stockmarkets. In both cases it predicts a 61% chance that prices will be higher over the next year. As we noted last month, that is not particularly optimistic but we can probably still find many attractive investments despite the relatively Neutral general market outlook.

In fact, a neutral market outlook is often a favourable environment in which investors can profit from *intelligent* share selection. *Everything* rises in a Bull Market boom - and usually the *worst* company shares rise most (and subsequently crash). In today's investment environment the general market may just fluctuate, or drift slow upwards, but carefully selected shares could appreciate 20-40% per annum.

Finding shares with the potential to significantly outperform the market is the objective of our on-going research. Directors have the most knowledge about their companies and its future potential, so *on-market* buying or selling by these *insiders* is one of the most important forecasters of future share price movements. Shares *neglected* by institutions and brokers tend to be under-valued and *perform better in the future* than shares that are already widely followed. *Under-valued* shares (i.e. those trading on low P/S and low P/E ratios) also have the potential to be re-rated and perform well in the future. Growth potential is important - but difficult to assess *objectively*. Director's shareholdings (i.e. a measure of management's commitment to maximise shareholder returns), the Return on Shareholders Equity (i.e. a profitability indicator for the business) and net operating cashflows (i.e. the cash to *finance* future growth) are all good *proxies* for future growth potential. Of course, we don't want to tie up our capital for years while an under-valued growth share goes nowhere - so Relative Price Strength measures the share price trend and helps improve the timing of *when* to buy and *when* to sell. Our *Comprehensive Share Selection Criteria* is designed to bring all of these stockmarket indicators together to highlight attractive shares for further *subjective* analysis.

### Stockmarket Forecasts

	One-Month	One-Year
Australia:	61% (Bullish)	73% (Bullish)
New Zealand:	61% (Bullish)	67% (Bullish)



# Performance Forecasts

"Performance Forecasts" are computer generated predictions of the relative future price performance of a company's shares over the next three to six months. Performance Forecasts are calculated for every listed NZ share (except Investment Trusts) on a rating scale using the letters "A" (Highest potential for capital appreciation over the next 3-6 months), "B" (Above Average), "C" (Average), "D" (Below Average) and "E" (Lowest). These predictions are NOT buy or sell recommendations, but can be useful to help time planned purchases or sales, or to identify shares worthy of further study and analysis.

	Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield		Performance Forecast	Price	Price/Sales Ratio	P/E Ratio	Gross Yield	
A2 Corporation	C	10	N/A	NE	Nil	Heritage Gold *	N/R	11	N/A	NE	Nil	Restaurant Brds	C	127	0.40	10	11.8	
AMP Limited	C	672	1.02	NE	2.6	Hirequip NZ Ltd	C	120	1.76	8	2.5	RetailX Limited	C	30	2.18	NE	Nil	
AMP NZ Office	D	82	5.29	10	8.5	Horizon Energy	C	400	4.03	16	8.2	Richina Pacific	D	44	0.14	17	Nil	
AXA Asia Pac.	B	420	1.50	20	2.8	ING Property	C	110	N/A	24	10.1	Richmond Hold.	B	312	0.10	10	3.6	
Abano Health.	D	13	0.40	NE	Nil	Ind Newspapers	C	495	3.70	38	2.8	Rocom Wireless	C	28	1.28	NE	Nil	
Affco Holdings	C	41	0.25	14	Nil	Infratli NZ	C	310	4.65	29	5.8	Rubicon Limited	D	91	N/A	NE	Nil	
Air New Zealand	C	190	0.32	7	Nil	Just Water Int.	C	86	N/A	20	Nil	Ryman Health.	B	317	2.89	17	2.8	
Akd Int Airport	B	706	8.21	23	5.9	KidCorp	D	23	1.65	NE	Nil	Sanford Limited	C	435	1.21	10	6.7	
Allied Farmers	B	194	0.41	11	8.1	Kingfish Ltd *	N/R	93	N/A	NE	Nil	Savoy Equities	E	1.2	N/A	NE	Nil	
Apple Fields	D	2.3	6.97	NE	Nil	Kingsgate Int'l	D	35	5.81	34	Nil	Scott Tech. Ltd	B	331	1.74	15	6.3	
Beauty Direct	C	12	N/A	NE	Nil	Kirkcaldie & St	B	245	0.46	14	8.8	Sealegs Corp	E	1.9	N/A	NE	Nil	
Blis Technology	E	14	N/A	NE	Nil	Kiwi Property	D	106	9.49	14	8.1	Seeka Kiwifruit	B	510	0.80	13	5.3	
Blue Chip NZ	E	130	0.48	NE	Nil	Lion Nathan Ltd	A	770	1.98	20	4.0	Selectorgroup	C	2.3	4.51	NE	Nil	
Botry-Zen Ltd	E	9.5	N/A	NE	Nil	Loan & Building	B	374	1.40	15	5.8	Shotover Jet	D	105	1.85	13	1.8	
Brierley Invest	D	91	6.93	NE	Nil	Lytelton Port	C	182	3.01	15	9.0	Skellmax Indust	C	122	1.15	11	8.6	
Briscoe Group	C	143	0.95	13	7.3	MG Property Trt	D	101	6.94	18	9.4	Sky City Ltd	C	436	3.03	18	9.1	
Broadway Ind	C	105	0.51	7	1.9	Mainfreight Grp	C	200	0.29	34	4.9	Sky Network TV	D	518	4.58	57	Nil	
CACI Group Ltd	E	34	0.49	NE	Nil	Media Tech.	D	11	1.86	NE	Nil	SkyCity Leisure	D	76	1.29	25	Nil	
CDL Hotel NZ	D	46	0.96	9	4.5	Metro. LifeCare	C	265	2.08	16	1.9	Slavus Strat. *	N/R	86	N/A	NE	Nil	
CDL Investments	E	29	2.12	9	8.2	Michael Hill	B	681	1.01	17	4.6	Smiths City	B	71	0.18	9	7.4	
Cabletalk Group	C	40	0.23	7	Nil	Mid-Cap Invest *	N/R	223	N/A	NE	Nil	Software of Exc	D	142	1.82	NE	Nil	
Cadmus Tech Ltd	D	13	2.20	NE	Nil	Mike Pero Mox.	D	87	1.11	18	10.3	Sol. Dynamics	D	126	N/A	NE	Nil	
Calan Hlthcare	D	90	8.23	14	8.9	Mooring Systems	D	400	N/A	NE	Nil	South Port NZ	C	130	2.30	17	7.5	
CanWest Media.	E	157	N/A	NE	Nil	Mowbray Collect	C	160	3.51	NE	4.2	Spectrum Res.	D	1.1	1.20	NE	Nil	
Cap Properties	C	100	4.08	15	9.0	Mr Chips Hold	C	115	0.79	14	6.5	Steel & Tube	A	460	1.04	14	8.8	
Carter Holt	C	236	0.91	14	2.5	NGC Holdings	B	303	2.94	16	9.4	Summit Gold Ltd*	N/R	5.8	N/A	NE	Nil	
Cavalier Corp	B	495	1.62	15	8.1	NZ Exchange Ltd	C	835	7.63	36	Nil	Tag Pacific Ltd	B	31	0.61	NE	Nil	
Cert Organics	E	10	7.81	NE	Nil	NZ Experience	D	33	1.56	15	9.0	Taylor's Grp Ltd	B	252	1.00	14	6.5	
Col Motor Co	B	305	0.21	10	9.8	NZ Invest Trust*	N/R	640	N/A	NE	1.3	TeNZ *	N/R	109	N/A	NE	Nil	
Commsort Group	D	0.3	0.34	NE	Nil	NZ Oil and Gas *	N/R	74	6.55	12	Nil	TeanTalk Ltd	A	252	2.53	19	9.8	
Convita	C	240	0.97	17	2.6	NZ Refining Co	A	2205	2.79	14	8.1	Telecom Corp	A	566	2.04	15	7.1	
Contact Energy	B	585	2.92	30	5.9	NZ Wine Company	B	190	2.11	22	4.5	Tenon Ltd	D	199	0.33	NE	Nil	
Cube Capital	C	7.0	0.23	NE	Nil	Nat Property Tr	D	94	5.98	14	9.6	Tol NZ Ltd	B	226	0.68	4	Nil	
Cue Energy Ltd *	N/R	6.9	3.58	23	Nil	Norhland Port	C	276	N/A	34	4.3	Tourism Hold.	B	188	1.08	16	7.1	
DB Breweries	A	941	1.49	20	5.3	Nuhaka Forestry	C	500	2.56	NE	12.6	Tower Limited	C	194	0.78	NE	7.7	
Design Textiles	A	145	0.65	13	3.1	Nuplex Indust	A	512	0.48	10	7.1	Training Sol.	E	0.1	0.59	NE	Nil	
Dominion Fin.	D	103	N/A	9	7.9	Opio Forestry	C	79	N/A	NE	Nil	Trans-Tasman	E	38	3.53	11	Nil	
Dorchester Pac	B	288	0.83	10	5.2	Owens Group Ltd	E	115	0.18	NE	Nil	Trust Power Ltd	B	475	1.18	12	5.5	
Ebos Group Ltd	A	390	0.47	13	7.7	Oyster Bay	B	280	N/A	NE	Nil	Turners Auction	B	480	1.39	19	5.0	
Evergreen	D	40	1.55	NE	Nil	Ozzy (Tortis) *	N/R	203	N/A	NE	Nil	Urbus Property	C	100	2.38	5	9.0	
F & P Appliance	B	424	1.18	13	7.1	Pac Edge Bio.	C	28	N/A	NE	Nil	Utilico Int'l	E	67	4.31	NE	Nil	
F & P Health.	B	1345	6.40	25	5.8	Pacific Retail	D	200	0.12	NE	Nil	VTL Group Ltd	D	100	1.06	15	3.3	
Feltex Ltd	C	167	0.76	12	3.6	Port Tauranga	A	512	4.54	20	5.8	Vertex Group	C	169	0.62	11	3.5	
Finmedia Ltd	C	115	1.23	NE	Nil	Ports Auckland	B	699	4.49	17	8.6	WN Drive Tech.	E	47	N/A	NE	Nil	
Finzsoft Solns	D	90	1.38	23	Nil	Postie Plus Grp	C	98	0.51	13	Nil	Wakefield Hosp.	B	285	0.98	15	4.2	
Fletcher Build.	A	519	0.57	9	7.2	Powerco Limited	B	205	1.99	12	7.8	Warehouse Group	C	460	0.69	18	4.7	
Forty Two Below	C	53	N/A	NE	Nil	Property F Ind.	D	97	N/A	10	7.5	Waste Mgmt NZ	B	499	2.70	27	4.7	
Freightways Ltd	A	249	N/A	24	6.9	Provenco Group	E	60	0.76	13	Nil	Widespread Port	D	2.0	7.41	NE	Nil	
GDC Communicat.	C	19	0.13	NE	Nil	Pumpkin Patch	C	178	N/A	26	Nil	Williams Kettle	B	305	0.41	10	11.7	
Genesis Res.	C	64	1.68	NE	Nil	Pure NZ Limited	E	2.6	3.71	NE	Nil	Windflow Tech.	D	314	N/A	NE	Nil	
Guinness Peat	B	198	1.00	9	1.4	Pyne Gould G.	B	190	0.66	11	7.1	World Index Fd *	N/R	110	N/A	NE	Nil	
Hallenstein G.	A	340	1.12	17	8.1	Pyne Gould Corp	B	605	0.71	9	6.9	Wrightson Ltd	C	149	0.33	20	11.5	
Hellaby Hold.	A	580	0.86	14	9.0	Renaissance	C	69	0.26	19	15.1	Zinfel Comm.	C	138	1.74	17	7.3	
													<b>Ave of 159 Cos</b>	<b>C</b>	229	0.74	21	3.7
AMP Ltd	B	632	1.07	NE	2.5	Energy Develop.	C	303	9.04	NE	0.5	OPSM Group Ltd	C	384	1.08	NE	Nil	
ANZ Bank	C	1429	2.16	12	5.1	Envestra	C	132	2.83	37	8.0	Oil Search Ltd	B	132	2.06	9	1.0	
APN News Media	B	460	1.86	21	4.0	Excel Coal Ltd	A	360	3.00	24	3.0	Onesteele Ltd	A	291	1.01	33	3.8	
AWB Limited	B	448	0.64	46	5.6	Fairfax (John)	A	387	1.98	13	4.3	Orica Ltd	A	1645	1.10	45	3.2	
AXA Asia Pac	B	389	1.42	7	2.6	Flight Centre	B	1941	2.29	22	3.1	Origin Energy	B	609	1.15	20	2.1	
Adelaide Bright	B	141	1.21	13	3.9	Foodland Assoc	C	1689	0.31	16	5.0	Oxiana Ltd	C	79	8.49	92	Nil	
Adelaide Bank	B	930	1.53	16	4.0	Foster's Group	C	460	2.36	12	4.2	Pacific Brands	B	272	3.70	NE	1.3	
Alinta Limited	A	748	1.65	11	4.4	Futuris Corp.	B	180	0.44	50	4.4	Paperlin X Ltd	B	545	0.39	22	5.0	
Alumina Ltd	A	528	N/A	26	3.8	G.U.D. Holdings	A	1000	1.53	17	4.0	Patrick Corp	B	520	2.54	19	1.5	
Amcor Ltd	C	730	0.62	19	4.4	GWA Internat'l	B	320	1.31	14	5.6	Perp Trust Aust	A	4739	5.71	20	3.2	
Ansell Ltd	B	855	1.33	21	1.5	Gandel R. (CFS)	B	152	8.68	16	6.6	Primary Health	A	585	3.99	33	3.0	
Aquarius Plat.	B	675	2.05	14	1.2	General Prop Tr	B	360	N/A	17	5.9	Prime Intra Grp	A	128	3.71	29	8.2	
Argo Investment	B	486	N/A	28	3.4	Graincorp	D	1285	1.02	NE	Nil	Prim. Amer. Off	A	132	N/A	67	12.4	
Aristocrat Leis	B	691	3.31	NE	0.9	Gt. Sthn Plant'n	B	313	3.66	8	3.2	Promina Group	B	437	1.20	17	2.9	
Arrow Pharm.	B	937	2.21	47	Nil	Guinness Peat	A	184	0.92	9	1.3	Publishing & Br	A	1359	2.84	13	3.2	
Aust Pharm. Ind	C	253	0.19	31	5.1	Gunns Ltd	A	1475	1.85	12	3.4	O.B.E. Insur.	B	1259	N/A	21	3.3	
Aust Foundation	B	331	N/A	24	4.0	HGH Plc	C	121	0.20	NE	Nil	Qantas Airways	C	331	0.54	9	5.1	
Aust Leis & Hos	A	294	1.08	15	2.8	Hardman Res.	C	190	N/A	NE	Nil	Ramsay Health	B	616	1.03	21	2.8	
Aust Gas Light	A	1344	1.46	18	4.5	Harvey Norman	B	285	1.65	17	2.6	Record Invest.	A	441	N/A	28	4.1	
Aust Pipeline	A	275	2.65	16	10.2	Hills Indust.	A	437	0.84	20	5.1	Reece Australia	A	1000	1.14	16	2.8	
Aust Stock Exch	B	1549	6.55	19	3.7	Hills Motorway	B	826	N/A	NE	4.4	Rinker Group	A	862	1.51	19	1.6	
Austar United	B	85	2.75	NE	Nil	Hutchison Tel.	C	116	1.66	NE	Nil	Rio Tinto Ltd	B	3624	3.87	24	2.5	
Austereo Group	B	139	2.38	14	5.2	ING Indust Trt	C	198	8.76									

# Recommended Investments

**Cavalier Corporation** continued to grow steadily in the year to 30 June 2004: Revenues rose 2.8% to \$198.6 million, profits increased 15.0% to \$21,011,000 (32.4 cents per share) and the annual dividend rate is being raised 8.0% to 27.0 cents per share (plus full imputation tax credits).

The net operating cash surplus rose 3% to \$23.6 million. Cavalier Corporation invested \$7.0 million to expand its carpet yarn manufacturing capacity and \$1.5 million to upgrade carpet tile dye-injection equipment. As a result, interest bearing debt increased \$8.6 million to \$40.8 million.

For the year to June 2005 the company is expecting "some downturn in the carpet market" but that this will be offset by an increased market share. The expanded yarn manufacturing capacity will also reduce costs, so

profits are forecast to rise to around \$22.5 million.

Cavalier Corporation's 92.5% owned **Hawkes Bay Woollscourers** has taken a 50% interest in **Canterbury Woollscourers** - a company formed to acquire, consolidate and upgrade the Winchester scour and Fairlie scour at the Fairlie site.

Cavalier Corporation has been a sound, long term investment but is now probably *fairly priced* - although still offers a high Dividend Yield of 8.1% and moderate growth potential. "Hold".

**Colonial Motor Company** recorded a slight 3.7% increase in revenues to \$404.2 million for the year to June 2004. *Trading* profits rose 6.1% to \$7,307,000 (26.2 cents per share) plus there was a \$3,210,000 gain on the sale of property. A steady 9.5 cents final dividend brings the annual dividend rate (Continued on Page 4)

## Portfolio of Recommended Investments

CURRENT ADVICE	Company	Code	Initial Recommendation - Date - Price	Performance Forecast	Issued Shares (mil.)	Vola- tility Ratio	Price/ Sales Ratio	Price/ Earnings Ratio	Gross Dividend Yield	Recent Share Price	Cash Dividends Rec'd	Total Return %
	<b>NZ Shaes</b>											
HOLD+	CDL Investments Ltd	CDI	12/01/99 25	E	199.4	1.7	2.12	9	8.2	29	9.3	+53%
HOLD	Cavalier Corporation	CAV	05/12/95 156*	B	64.9	0.5	1.62	15	8.1	495	128.5	+300%
HOLD+	Colonial Motor Company	CMO	10/11/92 150	B	27.9	0.5	0.21	10	9.8	305	250.3	+270%
BUY	Lytelton Port Company	LPC	12/12/00 150	C	102.1	0.8	3.01	15	9.0	182	36.0	+45%
BUY	Metlifecare Ltd	MET	10/08/04 236	C	86.4	0.9	2.08	16	1.9	265	2.0	+13%
BUY	Michael Hill Int'l Ltd	MHI	11/06/91 46*	B	38.7	0.5	1.01	17	4.6	681	137.0	+1678%
BUY	Nuplex Industries Ltd	NPX	11/02/97 350	A	62.1	0.7	0.48	10	7.1	512	88.0	+71%
HOLD	Renaissance Corp	RNS	13/08/96 85*	C	37.2	1.0	0.26	19	15.1	69	17.4	+2%
BUY	Richina Pacific	RPL	03/11/95 94*	D	144.4	1.4	0.14	17	Nil	44	9.4	-43%
HOLD	South Port New Zealand	SPN	13/02/96 120	C	26.2	0.9	2.30	17	7.5	130	71.3	+68%
HOLD	Steel & Tube Holdings	STU	08/08/00 146	A	88.0	0.7	1.04	14	8.8	460	85.0	+273%
HOLD	Taylors Group Ltd	TAY	09/11/99 102	B	24.3	0.7	1.00	14	6.5	252	32.0	+178%
	<b>Australian Shares (in Aust cents)</b>											
HOLD+	AJ Lucas Group	AJL	13/05/03 120	B	51.2	0.8	0.68	8	4.9	163	8.0	+42%
HOLD	Atlas Pacific Ltd	ATP	14/05/96 73	C	87.8	1.7	1.46	13	Nil	17	7.0	-68%
BUY	Austral Coal Ltd	AUO	16/01/01 19	B	203.2	1.2	1.02	23	Nil	59	Nil	+211%
HOLD+	Aust Infrastructure	AIX	07/10/03 158	A	228.6	0.6	10.13	12	5.8	198	11.5	+33%
HOLD+	Campbell Brothers Ltd	CPB	12/10/99 418*	A	40.1	0.5	0.72	19	4.7	707	135.5	+102%
BUY	Candle Australia	CND	08/04/03 86	B	39.6	0.8	0.39	15	5.1	178	10.0	+119%
BUY	Cellnet Group Ltd	CLT	12/02/02 152	C	49.8	0.8	0.17	8	7.7	150	19.5	+12%
BUY	Circadian Technology	CIR	10/02/04 188	B	40.1	1.1	13.80	17	Nil	250	Nil	+33%
BUY	Commander Comm.	CDR	11/09/01 92	B	154.6	0.6	0.56	29	1.1	179	9.1	+105%
BUY	Computershare Ltd	CPU	12/08/03 189	A	542.4	0.9	2.12	29	2.2	370	10.5	+101%
BUY	Health Communication	HCN	07/10/03 101	B	63.3	1.1	2.52	18	1.9	118	2.3	+19%
HOLD	Int'l AllSports	IAS	11/02/03 180	D	52.5	1.4	0.04	NE	Nil	39	2.5	-77%
BUY	Keycorp Ltd	KYC	10/08/04 154	B	81.7	1.2	1.45	19	1.7	180	Nil	+17%
HOLD+	Melbourne IT	MLB	10/02/04 53	B	50.9	0.8	1.12	27	2.7	110	4.0	+115%
HOLD+	M.Y.O.B. Ltd	MYO	15/07/03 84*	B	253.2	0.9	3.74	39	1.3	133	Nil	+58%
HOLD-	OAMPS Limited	OMP	15/05/01 106*	A	107.1	0.5	0.80	26	4.6	347	33.5	+259%
BUY	Ross Human Directions	RHD	14/08/01 92	B	59.1	1.1	0.30	13	4.2	84	15.0	+8%
HOLD	Skilled Engineering	SKE	12/03/02 126	C	95.6	0.6	0.36	16	5.8	278	31.5	+146%
BUY	Sonnet Corporation	SNN	07/09/04 31½	B	82.0	1.3	0.97	8	14.3	31½	Nil	
BUY	Technology One Ltd	TNE	11/11/03 44	A	298.7	1.0	3.65	20	4.5	63	1.3	+46%
HOLD-	Toll Holdings	TOL	08/09/98 60*	A	321.3	0.5	1.09	21	1.8	1127	52.0	+1865%
HOLD	UXC Limited	UXC	11/01/00 55*	A	144.8	1.0	0.64	14	6.0	84	21.0	+91%
HOLD-	Villa World Ltd	VVD	11/06/02 68	B	113.2	0.6	1.02	7	8.3	157	21.5	+163%
BUY	Vision Systems Ltd	VSL	10/11/98 69*	C	173.4	0.9	1.03	13	5.0	84	28.3	+63%

The average Total Return (i.e. both Capital Gains/Losses plus Dividends received) of all current investments from initial recommendation is +181.7%. This is equal to an average annual rate of +43.5%, based upon the length of time each position has been held.

The average annual rate of gain of ALL recommendations (both the 36 current and 126 closed out) is +31.8%, compared with a market gain of +9.1% (by the SRC Total Return Index).

CURRENT ADVICE is either Buy, Hold+, Hold, Hold- or Sell. Hold+ indicates the most attractive shares not rated as Buy. Hold- indicates relatively less attractive issues. \* Initial Recommendation Prices adjusted for Share Splits, Bonus and Cash Issues.

**Recommended Investments** (Continued from Page 3) to an 8.1% higher 20.0 cents (plus full imputation tax credits).

The net operating cashflow rose strongly to \$15.6 million, helping to reduce interest bearing debts by \$5.6 million to \$18.4 million.

Colonial Motor Company isn't a very glamorous company but the shares are under-valued, trading on a Price/Sales ratio of 0.21, a Price/Earnings ratio of just 10 and offer a gross Dividend Yield of 9.8%. This is just an excellent, income producing share that has repaid our initial investment 167% in cash dividends (plus tax credits) and capital repayments - and the share price has *doubled*. Colonial Motors may never make our 10-bagger list - but those cash receipts *have* been re-invested to help fund many of the other investments in our portfolio. The shares continue to offer good value, so remain an attractive "Hold+" (i.e. suitable for new purchases and a hold for income and growth) that may continue to steadily contribute to our investment portfolio for many more years.

**Lyttelton Port Company** lifted profits 3.4% to \$12,020,000 (11.8 cents per share) for the year to 30 June 2004. Revenues rose 1.5% to \$61.8 million. A final dividend of 7.25 cents maintains the annual dividend rate at 11.0 cents (plus full tax credits).

Net operating cash flows improved 12% to \$17.5 million but high capital expenditure of \$18.8 million as the company upgrades facilities, boosted interest bearing debts by \$12.1 million to \$36.2 million. Shareholders Equity is \$50.7 million, so future capital expenditure should continue to be funded from a mix of cashflow and debt - enabling the Lyttelton Port Company to maintain its high income yield to investors.

We continue to see Lyttelton Port Company as an income share that will appeal most to retired investors requiring current income.

**Michael Hill International's** revenues rose 15.8% to \$261.5 million for the year to June 2004 while trading profits soared 47.0% to \$15,060,000 (39.0 cents per share). A final dividend of 13.0 cents will lift the annual payout 23.5% to 21.0 cents (plus full imputation tax credits).

Net operating cashflow increased 3.6-fold to a very healthy \$24.8 million (up from a low \$6.8 million last year). Interest bearing debt fell just \$1.7 million to \$40.6 million, but cash on hand rose \$11.7 million to \$14.0 million.

The company is now "very pleased with the progress in Canada" and plans to double the number of stores from four to eight during the current financial year. Another 11 stores are also planned for NZ and Australia.

On a Price/Sales ratio of 1.01, a Price/Earnings ratio of 17 and a gross Dividend Yield of 4.6%, Michael Hill International shares continue to offer good value given the long term growth potential from expansion in Canada.

This share's long term performance - repaying our initial investment *three* times from dividends and appreciating in value 13-fold - shows the benefits of *consistent growth funded from internally generated cashflows*. Faster growth *may* have been possible by issuing new shares to raise additional capital - but that

would have *diluted* earnings per share growth and lowered the ultimate returns to investors.

In December last year we speculated that Michael Hill could become a 70-100 bagger investment (i.e. increase 70-fold or 100-fold on our original cost) over the next 10-15 years. Since then the share price has risen 44% but this is still a "Buy" and long term hold.

**Nuplex Industries'** revenues were just 3.1% higher at \$657.8 million for the year to 30 June, but trading profits rose 37.1% to \$30,820,000 (49.6 cents per share). A 2.5 cents higher final dividend of 13.0 cents (plus full imputation tax credits in NZ or full franking credits in Australia) lifts the annual rate 22.5% to 24.5 cents.

The net operating cash surplus declined 27% to \$28.7 million. Interest bearing debt fell slightly, down just \$4.4 million to \$186.9 million, compared with Shareholders Equity of \$166 million. Debt levels are high, although manageable - but would restrict the company's ability to make a large acquisition.

Investment in new technology and equipment is "expected to contribute to profit growth in the current and future years".

Nuplex Industries shares have appreciated 28% since this time last year but the strong growth has maintained their low valuation. The Price/Sales ratio is 0.48, the Price/Earnings ratio 10 and the gross Dividend Yield 7.1%. The shares are in a long term uptrend with a Relative Strength rating of +7.6%, ranked 28, and there have been three insider buys on-market over the last year. So Nuplex Industries shares remain an attractive "Buy" (and Hold) for further investment gains!



**Richina Pacific's** half year result to 30 June shows revenues up 18.9% to US\$184.3 million and profits up 20.6% to US\$2,547,000 (1.7 US cents per share).

The company was cashflow *positivewith* an operating cash surplus of US\$2.1 million. This suggests the company may be able to finance future growth internally, rather than having to rely on shareholders (for new equity) or on asset sales to fund its growing business.

The decline by the NZ construction business **Mainzeal** (i.e. revenues up 16% to US\$116.1 million but earnings down 70% to US\$0.7 million) - boosted last year with a property sale - hides the growth from the company's emerging **Shanghai Richina Leather** business in China where revenues rose 23% to US\$67.0 million and profits increased 89% to US\$2.2 million.

**SouthPort NZ** lifted revenues 1.2% to \$14.9 million for the year to 30 June but profits fell 22.1% to \$2,042,000

(7.8 cents per share). The annual dividend rate will be 3.7% lower at 6.5 cents.

The net operating cash surplus increased slightly to \$4.2 million, but the company invested heavily in fixed assets (\$5.1 million) and interest bearing debt rose \$3.5 million to \$6.25 million. Higher depreciation and interest costs - plus the loss of some shipping services - contributed to the lower profit for the period.

The business - and the share price - are depressed at present, but this still offers an attractive income yield.

**Steel & Tube Holdings** lifted revenues 18.2% to \$387.8 million for the year to June 2004, while trading profits increased 32.2% to \$28,462,000 (32.3 cents per share). A 3.0 cents higher final dividend of 12.0 cents (plus full imputation tax credits) lifts the regular annual dividend 17.4% to 27.0 cents. In addition, the company paid a special 10.0 cents dividend in November 2003.

Net operating cashflows remained strong at \$29.3 million (up 9%). Interest bearing debts increased \$5.5 million to \$32.7 million - which is still a low debt level as Shareholders Equity is \$125.2 million.

Although new housing may slow over the next year, Steel & Tube expects increased demand from commercial construction, infrastructure and the rural sector. So the company expects "a similar result next year, with some upside".

Steel & Tube is a cyclical investment in which we have invested three times (i.e. for a 119% gain from 1982-85, a 462% gain from 1992-96 and up 273% since 2000). Our current holding is probably becoming a more *mature* investment and getting close to the peak of this cycle. Don't panic! Don't sell yet! The business is likely to remain buoyant and not collapse any time soon. Near the peak of the cycle also offers many opportunities for further gains. With strong cashflows the company can pay high dividends, special dividends and make capital repayments. It can borrow to fund an acquisition or borrow to return cash to shareholders. Not only the company - but also institutional investors become more optimistic at this time. Everyone forgets this is a cyclical business and starts valuing the shares as a *growth* company!

So we rate Steel & Tube a "Hold" for high income and further capital appreciation as institutional investors eventually push the share price into overvalued territory.

**Taylor's Group** lifted revenues 7.3% to \$61.5 million for the year to June 2004. Profits were unchanged at \$4,278,000 (17.6 cents per share) but the annual dividend will increase 4.8% to 11.0 cents (plus full imputation tax credits) with the payment of a final 6.0 cents dividend.

The lower profit margin on sales was the result of higher labour costs since April (owing to the Holidays Act) and higher energy costs. To remain competitive, Taylor's Group has already closed its Avondale (Auckland) laundry and moved this operation to a more efficient laundry in Pt Chevalier which was upgraded with a 1200 kg/hour batch washer and four dryers. Operations from the *Kleencare* site will be amalgamated into Pt Chevalier in late 2004 - and the company is looking at upgrading its ironing and finishing equipment.

Taylor's Group operates in a competitive industry, but is a sound business with little debt (i.e. \$2.4 million) and strong net operating cash flows (i.e. \$15.9 million).

Still a sound long term "Hold" for income and capital appreciation.

### **Australian Shares**

*(This section is in Australian currency, unless stated.)*

**AJ Lucas Group** suffered a 21.4% drop in revenues to \$121.8 million for the year to 30 June 2004 but profits increased strongly: up 29.7% to \$10,043,000 (19.6 cents per share). A final 4.5 cents dividend maintains a steady annual payout of 8.0 cents.

The timing of large pipeline projects can result in large swings in revenues, but AJ Lucas Group is seeking to build more consistent cashflows in its other businesses.

The company is part of a consortium bidding for the Build Own Operate **Trans Territory Pipeline** in the Northern Territory where a preferred bidder is likely to be named in November. The outlook for the pipeline sector is "very positive during the next 3-5 years", and "spiky in terms of revenue", but AJ Lucas seeks to be involved in construction worth \$1,800 million over the next five years.

The outlook for the *Horizontal Directional Drilling* (HDD) division is also strong in Australia and South East Asia. AJ Lucas Group is focusing upon "more complex projects" requiring a "large degree of engineering and HDD expertise" as these projects allow the "maximum utilisation of physical and human resources" - as well as higher profit margins and better risk management! The company has recently won an HDD contract to install a telecommunications network throughout the Hawaiian Islands which "potentially can be broadened to include a much larger scope of works, depending upon the results of the initial work". It is also bidding for the \$50 million **Sai Noi Ring Main Project** in Bangkok, Thailand, and either tendering or negotiating for \$57 million of other work in Australia and South East Asia. Two other HDD contractors have entered the Australian market, but AJ Lucas remains the biggest participant and the only HDD business offering technical and engineering solutions.

The Coal Seam Gas business has achieved profitability, earning \$1.2 million before tax from revenues 59% higher at \$13.8 million. Revenues are expected to reach \$30 million this year. This emerging business not only offers strong growth potential but steady cashflows and profits that will offset volatility in its *Pipelines* and *HDD* divisions.

Assessing the value of a business like AJ Lucas Group can be difficult owing to the market's focus on big contract wins. So the shares may rise strongly when the company wins a major contract but slip lower when contract decisions are deferred or fall if it misses a particular high profile job. Regardless of the outcome of any *individual* contract, we believe AJ Lucas Group can be a profitable investment for several reasons. Firstly, the company has technology advantages in pipeline construction and HDD work. Secondly, it has a low overhead structure, focusing upon its engineering and technical skills and outsourcing other work. This allows it to remain profitable between the boom/bust of major contracts. Thirdly, it is seeking to build more consistent revenue streams - for example, the application of its HDD technology to the extraction of methane gas from underground coal seams. *(Continued on Page 6)*



**Recommended Investments** (Continued from Page 5)

Fourthly, the shares trade at a relatively low valuation - the Price/Sales ratio is 0.68, the Price/Earnings ratio is only 8 and the Dividend Yield 4.9%. Fifthly, the company's markets (i.e. pipelines, HDD for infrastructure) offer strong growth potential.

So AJ Lucas Group's business can be volatile, but offers strong growth potential. The company has a competitive advantage in its niche markets - and we can buy these shares at a very low valuation. The shares have weakened in value over the last six months but now look set for recovery and growth. Therefore we are upgrading AJ Lucas Group shares to a "Hold+".

**Atlas Pacific** recorded a 37.0% drop in revenues to \$3.8 million for the six months to 30 June. The company lost \$409,347 (minus 4.7 cents per share) for the period, compared with a profit of \$906,643 in the same period last year. The company's current problems (i.e. low pearl harvest and low quality from oysters seeded two years ago) and strong recovery and growth potential over the next 2-3 years were discussed in our July newsletter. As indicated at the time, we expect Atlas Pacific shares to remain depressed in the immediate future and then start to "appreciate strongly in value during 2006". So the shares remain a "Hold" for now.

**Austral Coal** reported a loss of \$9,484,000 (minus 4.7 cents per share) for the six months to 30 June as a result of delays and initial problems with new equipment. This will reduce the annual profit (to December 2004) from the previously forecast \$15 million to about \$5 million.

This is only a short term downturn and the mine is about to start generating high cashflows. The shares and convertible notes dipped in response to the larger than expected loss, but this can be viewed as a *buy opportunity*.

We continue to favour the income producing convertible notes which pay annual interest of 5.225 cents over the ordinary shares which currently pay no dividend. "Buy".

**Candle Australia** lifted revenues 10.7% to \$179.4 million for the year to June, but profits rose 28.9% to \$4,552,000 (11.5 cents per share). A 1.5 cents higher final dividend of 5.0 cents lifts the annual dividend 38.5% to 9.0 cents.

Net operating cashflow dropped from a very high \$8.6 million last year to \$3.5 million.

Candle Australia holds cash of \$2.8 million and has interest bearing debts of only \$3.0 million - so is in a very strong financial position to seek acquisitions. Growth is also sought internally, with a new *Executive Search & Selection* division launched recently. Existing individual businesses may soon be consolidated under a national brand.

Candle Australia does not give any numbers for the current year but "revenues are likely to continue to grow" with profits growing "faster" than revenues.

The shares trade at a low valuation, with growth potential from the cyclical upturn in the recruitment market and consolidation within that industry. "Buy".

**Cellnet Group** has continued with the strong profit recovery experienced in the first half year. The full year result to 30 June shows revenues up 40.3% to \$447.1

million and profits up 72.4% to \$9,065,707 (18.2 cents per share). A 1.0 cent higher final dividend of 5.0 cents will lift the annual dividend 64.3% to 11.5 cents.

There was a net cashflow *deficit* of \$18.5 million as expansion and higher sales resulted in a 40% increase in debtors to \$62.5 million and 76% increase in inventories to \$57.7 million.

With this strong recovery the shares look very under-valued. The Price/Sales ratio is a very low 0.17, the Price/Earnings ratio a low 8 and the Dividend Yield a high 7.7%. The directors obviously see good value and future potential as there have been five *insider* buys on-market (and no sells) over the last year. Cellnet Group shares are also in a strong uptrend with a relative Strength rating of +4.0%, ranked 29 (on a scale of 0-99). We upgraded the shares to a "Buy" in October 2003 when they traded at 87 cents - so hopefully you have added to your investment in the company at some stage over the last eleven months! If so, continue to hold for further gains. If not, it is still not too late to "Buy".

**Cellnet Group**

**Circadian Technologies** is to return \$20.1 million of surplus cash (i.e. 50 cents per share) to shareholders. This will be achieved through a 38 cents per share capital return and a special 12 cents dividend, with the shares trading ex-entitlement to this cash from 11 October.

After the capital repayment Circadian Technologies will hold listed investments worth around \$107 million and about \$11 million in cash - giving a total net asset value of about 294 cents. The announcement of this cash repayment has boosted the share price slightly to 250 cents. So after the repayment the share price should be around 200 cents - which will still be a large 32% discount to net asset value!

Investors may, therefore, wish to re-invest the cash distribution buying additional under-valued Circadian Technologies shares on-market.

**Commander Communications** - which has gone through a major restructuring of its business - has reported results generally *better* than expected for the year to 30 June. The company had predicted revenues of \$500-515 million but fell slightly short with revenues of \$492.6 million (up 47.6% on 2003). Earnings (before interest, tax and depreciation) were forecast at \$22-24 million and the company achieved \$33.1 million! Net profit was 37.9% lower at \$9,450,000 (6.1 cents per share). The restructuring, however, resulted in a first half *loss* of \$1,929,000 - so the *second* half of the year shows a strong recovery with a profit of \$11,379,000.

A final dividend of 2.0 cents will be paid - down from

the 4.15 cents annual dividend rate in 2003.

Commander Communications is not prepared to commit itself to a forecast for the current year but states that "the company is comfortable that it can achieve analysts consensus" forecasts which predict revenues of \$589 million (up 20%) and net profit of \$20.5 million (up 115%).

The shares have performed well since hitting a low of 56 cents in late 2002 but this business has good growth potential and achieving next year's profit forecast of \$20.5 million would put the shares on a Price/Earnings ratio of 14 so the valuation is still reasonable. "Buy".

**Computershare** lifted revenues 33.6% to \$946.4 million for the year to 30 June 2004. Trading profits rose 114.2% to \$70,464,000 (12.9 cents per share). A final 5.0 cents dividend will lift the annual dividend rate 60.0% to 8.0 cents. Net operating cashflows were 79% higher at \$136.1 million - helping to fund the repurchase of ordinary shares (\$20.1 million) and preference shares (\$32.8 million).

The company is forcing the early conversion of its 1,184,807 reset preference shares (worth \$118.5 million) into ordinary shares. These will effectively convert to ordinary shares at a 5% discount to market value - so will require the company to issue around 33.7 million new ordinary shares, increasing the issued capital by only about 6%.

Computershare has acquired UK based **Flag Communications**, a company involved in "employee communications" for large UK listed companies. The consideration for this purchase was "negligible" but will help Computershare expand in Europe and has "great potential".

Computershare continues to use technology to reduce operating costs and will move all 2000 of its worldwide staff to VOIP (i.e. voice over internet protocol) telephone systems over the next five years.

Computershare is still an "expensive" share - trading on a Price/Sales ratio of 2.13, a Price/Earnings ratio of 29 and offering a Dividend Yield of 2.2%. We are prepared to pay this price, however, as the company offers huge *leveraged* exposure to the cyclical stockmarket recovery. A recovery in world stockmarkets results in greater trading activity, increased numbers of New Issues and increased corporate activity - all of which generate higher revenues for Computershare. Furthermore, the company's fixed costs result in a leveraged improvement in profits. We estimated that every 1% increase in revenues will boost profits 2-3% - with the 2004 result slightly better than that (i.e. 34% revenue growth resulted in a 114% rise in profits).

Computershare is predicting "10% revenue growth and 20% profit growth" for 2005 but we believe growth will be higher if world stockmarkets continue to recover.

*Insiders* are optimistic with five on-market buys, and just one sell, over the last year.

So with the potential for good revenue growth over many years - resulting in even more rapid profit and dividend growth - the current valuation for Computershare is justified. The shares have already doubled in value over the last eighteen months - but still have the potential to become an 8-10 bagger over the next 4-5 years (i.e. to grow at 40% per annum).

**Health Communication Network** has achieved its profit forecast (of \$3.7-4.7 million) for the year to June 2004. Revenues were virtually unchanged at \$29.7 million while profits rose 134.2% to \$4,202,000 (6.6 cents per share). The 2003 result included eight month's revenue from discontinued UK businesses - so on-going revenues actually increased 9.7% for the period. The annual dividend, as previously announced and paid, was 2.25 cents (previously nil).

Software development costs - all of which are expensed - rose 9% to \$4.8 million.

Net operating cashflows fell 11% to \$2.7 million, but the company remains in a strong financial position with cash in the bank of \$12.8 million (20.2 cents per share) and just \$244,000 of interest bearing debt. The company has announced an on-market share buy back of up to 5% of the issued capital.

The company is now predicting a 30% growth in profits to \$5.5 million for the current financial year. *If* it also re-purchases the full 5% of its issued capital then earnings per share would increase 37% to about 9 cents.

The *iRIS* software "trial" that we have discussed in recent newsletters is now being called "the successful and continuing rollout across the **I-Med** group" which is "delivering expected efficiencies".

Health Communication Network has dropped its copyright infringement action against **Pro Medicus** claiming that the latter admitted copying a number of tables and fields from its *Medical Director* but has since changed these in later versions in response to the legal action. The action has been dropped owing to the uncertainty of proving copyright infringement in relation to computer software. Pro Medicus does not agree with this version of events, describing Health Communication Network's market update as "misleading".

Health Communication Network shares are a little expensive on a P/S of 2.52, a P/E of 18 and a Yield of just 1.9% but we are attracted to their strong position with an 85% market share for *Medical Director* with GPs. This gives them a strong competitive advantage in the growing electronic healthcare market. Ultimately the company should be able to build significant *transaction* fees as other health providers communicate and transfer data with GPs through the company's software.

**International All Sports** reports a 15.4% increase in turnover to \$518.6 million for the year to June 2004, while revenues (i.e. the company's win margin) fell 19.3% to \$21.9 million. That wasn't sufficient to cover operating expenses, so the company produced a net *loss* of \$3,610,332 (*minus* 6.9 cents per share), compared with a profit last year of \$5,099,823. No dividend will be paid for the year (previously 7.5 cents).

Wagering by clients (with IAS) fell 9% to \$353.4 million and - as they were more successful - revenues from this source fell 65% to just \$7.7 million. Wagering investments (i.e. *by* the company) rose 168% to \$165.2 million owing to the acquisition of **Ferncourt** with revenues (i.e. wins) up 290% to \$12.1 million.

**Keycorp's** result to June 2004 was in line with its earlier forecast of a \$5-10 million profit: Revenues slipped 2.9% to \$101.3 million but trading profits rose 227.3% to \$7,675,000 (9.4 cents per share). As previously reported, the company had (Continued on Page 8)

**Recommended Investments** (Continued from Page 7) earlier announced (and has since paid) a 3.0 cents annual dividend.

In addition, there were "non-recurring" losses of \$3.1 million and a tax benefit of \$11.9 million resulting in a bottom line profit of \$16,516,000. The company notes that revenues and profits would have been higher but \$8 million of smartcard sales were deferred until after balance date owing to the international chip shortage. Research & Development expenditure was up 6% at \$11.0 million.

The business continued to produce high net operating cashflows - up 15% at \$17.8 million.

In late August, Keycorp took a 30% equity stake in **POSTech**, a China joint venture that will manufacture Keycorp's *K23* EFTPOS terminals and *K78* mobile terminals under license to meet "escalating demand". The Chinese government is promoting the use of EFTPOS terminals, seeking to increase the number of terminals 15-fold to 4.5 million before the 2008 Olympics.

Keycorp is predicting "strong growth" in group revenues and earnings this financial year. "Buy" for capital growth.

**Melbourne IT** is producing outstanding growth! For the six months to 30 June, revenues increased 20.0% to \$29.2 million while profits soared 82.6% to \$1,682,000 (3.3 cents per share). The interim dividend will be raised 100.0% to 2.0 cents.

The net cash operating surplus rose 86% to \$5.0 million which funded acquisitions of \$4.6 million to leave the company cash-rich with \$18.5 million (36.3 cents per share) of cash in the bank.

The shares have doubled in just seven months but that reflects the significant *under-valuation* at that earlier time. Melbourne IT offers the potential for above average growth for many years - so still offer good value. "Buy".

**MYOB** - which we acquired through the recent merger with **Solution 6** - is planning both a *Small Shareholder Sale Facility* where investors with less than about 350 shares may choose to sell free of brokerage and a *Share Purchase Plan* where any shareholder may buy up to \$5000 of shares at a small discount. The SPP will be limited to \$20 million, so may be scaled back.

We are happy to continue our investment in MYOB and will probably participate in the SPP to re-invest some of the capital repayment recently received from Solution 6.

**OAMPS** has increased revenues 25.7% to \$811.7 million for the year to 30 June, with profits up 36.2% to \$24,646,000. Earnings per share (adjusted for the 1 for 4 bonus issue in November 2003) rose 18.8% to 23.0 cents. A final 10.0 cents dividend will make 16.0 cents (up 17.6%) for the year.

The net operating cash surplus rose 14% to \$45.4 million, boosting the cash holding to \$156.3 million (146.0 cents per share).

OAMPS reports a "tougher competitive environment" with premium rates "continuing to drift down" but still expects to generate 10% earnings per share growth for the year to June 2005. "Hold".

**Ross Human Directions** experienced a 14.0% increase in revenues to \$164.9 million for the year to

June while profitability recovered strongly: up 3½ fold to \$4,005,000 (6.8 cents per share). The final dividend will increase half a cent to 2.0 cents, but the annual rate will be 22.2% lower at 3.5 cents.

The recent \$3.2 million *Share Purchase Plan* (to buy shares at 67 cents) was over-subscribed by \$1.47 million but the directors will accept all applications in full. The planned institutional placement to the company's largest shareholders will be *reduced* by a similar amount with the company founder and largest shareholder, J Ross, accepting a reduction in her allocation.

The recent acquisition - see our July newsletter - offers excellent potential so Ross Human Directions is a "Buy".

#### Ross Human Directions



**Skilled Engineering's** revenue increased 12.2% to \$736.4 million and profits rose 1.6% to \$16,387,000 for the year to 30 June. Earnings per share were about 4% lower at 17.1 cents owing to new shares issued to acquire **Origin Healthcare**. The final dividend will be half a cent higher at 10.0 cents, lifting the annual dividend 3.2% to 16.0 cents.

Net operating cashflows were slightly lower at \$14.3 million. Interest bearing debt increased \$49.0 million to \$62.6 million, mainly as a result of paying \$24.8 million in cash for Origin Healthcare and taking over its debts of \$21.9 million in March.

Skilled Engineering is to focus upon its *Managed Labour Services* business including *Workforce Services*, *Contract Services* and *Origin Healthcare*, and will dispose of a few small non-core businesses. The sale of the *Communications* business was announced last month and **Abigroup** has made an offer for *Power Services*.

With the sale of the *Communications* business and a full year's contribution from Origin Healthcare, Skilled Engineering is expecting profit growth of 5-10% for the current financial year.

Recently acquired Origin Healthcare is performing poorly, contributing only \$25 million to group revenues for the period compared with expectations of \$30 million. This is the result of some state hospitals sourcing nurses directly rather than through the agency. Of course, every cloud has a silver lining - at least in this case for the public shareholders - as 34% of the consideration for this acquisition was 7,000,000 "performance" shares. If the business exceeded forecasts by 30-80% these would convert into ordinary shares. If not these "performance" shares will be cancelled and reduce the potential cost of this acquisition. So Skilled Engineering will acquire an under-performing business



more cheaply than anticipated - which over the medium to long term is probably the best outcome for the public shareholders (although not for the vendor!).

Skilled Engineering shares still offer good value, but we are downgrading them from "Hold+" to "Hold" as the current uncertainty will probably reduce the potential for capital appreciation over the next several months.

**Technology One** audited accounts to June 2004 show revenues 6.6% higher at \$51.6 million and tax paid profits 36.2% higher at \$9,479,000 (3.2 cents per share). As announced last month, the annual dividend was raised 14.0% to 2.85 cents.

There is some delay in the release of the new *Connected Intelligence* programs. *Finance One CI* was originally scheduled for release in mid-2004 but is only available to "beta sites" with "general distribution" now expected in "early 2005". *People One CI* and *Retail One CI*, both originally expected in "mid-2005" have slipped slightly to "mid/late 2005". *Proclaim One CI* has gone from "mid/late 2005" to "late 2005". *Student One CI* is moved back from "late 2005" to sometime in 2006. We don't consider these slight delays too serious, but obviously we prefer companies performing *ahead* of schedule!

**Toll Holdings** continues to deliver the kind of gains we seek from our share investments - up *almost* 20-fold in just six years! Of course, our critics will say "Just a lucky investment". Just like NZ Refining (up 33-fold from 1986-96), Michael Hill (up 16-fold), ERG (up 7-fold from 1995-2000), Flight Centre (up 6-fold from 1998-2000), Radio Otago (up 5-fold in 1986-87 and again up 5-fold in 1991-99), Steel & Tube (up 5-fold in 1992-96 and again up 3-fold since 2000), RadioWorks (up 5-fold from 1992-2001) plus many more shares that *tripled* and *quadrupled* in value! Our research continues to focus on finding more "lucky" investments.

For the year to June 2004, Toll Holdings has increased revenues by 27.3% to \$3,314.0 million. Profits soared 59.0% to \$168,639,000 with earnings per share up 53.1% to 52.5 cents per share. A 50.0% higher final dividend of 12.0 cents lifts the annual dividend to a 41.4% higher 20.5 cents.

Net operating cashflows rose 43% to \$209.1 million. Interest bearing debt rose 19% to \$419.2 million, but that is still relatively low compared with Shareholders Equity of \$1,057.5 million and the company's market capitalisation of \$3,621 million.

While the strong appreciation in Toll Holdings share price has made these shares a little expensive over recent years it is difficult to argue with 40-50% growth rates that more than *double* earnings per share and dividends every two years. Toll Holdings believes it is "excellently positioned both operationally and financially to maintain its aggressive growth strategy", "trading conditions remain solid" and "well ahead" of last year with "another record result" expected for the 2005 financial year. So do we feel "lucky"? We shall *let our profits run* and see if Toll Holdings becomes a 30-bagger investment over the next 12-18 months.

An "unlucky" investment advisory service competitor in Australia recommended selling Toll Holdings in early 2000 - owing to the negative impact of "rising fuel

costs" - at a share price (adjusted for the subsequent 4:1 share split) of about 162 cents! The shares have since appreciated at a *compound* rate of around 70% per annum!

Initially recommended in September 1998, Toll Holdings was one of the first shares to be identified by the *Comprehensive Share Selection Criteria* that we developed in early 1997 based upon our on-going stockmarket research. That *criteria* has significantly increased our "luck" at picking winners and avoiding losers! Although, of course, not all individual share recommendations will work out profitably - the objective is to improve the overall performance of a diversified portfolio.

**UXC** has reported strong growth in revenues and profits for the year to June 2004 - although much of this growth through acquisition has been diluted by the additional shares issued to finance this expansion. Revenues rose 63.9% to \$189.1 million and profits were up 35.1% at \$9,015,000. Earnings per share, however, were only 16.7% higher at 6.2 cents and the annual dividend is steady at 5.0 cents.

The operating cash surplus more than *tripled* to a healthy \$10.6 million which suggests some improvement in the business.

The company forecasts revenues of \$230 million for the new financial year - helped by recent acquisitions.

UXC hasn't performed as well as we would have hoped - but this investment has *almost* doubled our money in less than five years and continues to offer a high 6.0% current income yield - so perhaps we shouldn't complain too loudly. "Hold".

The company continues to expand - with its *Manpower Training Solutions* subsidiary buying competitor **CPM Group** (for an undisclosed consideration) which should yield "a multitude of potential synergies".

**Villa World's** revenues rose 16.6% to \$175.0 million over the year to June 2004 with profits 24.7% higher at \$24,493,000. Earnings per share were 13.5% higher at 21.6 cents and the annual dividend rate will be 18.2% higher at 13.0 cents.

Villa World is a sound business with a good spread of long term property developments and the company expects a "similar profit in 2005". While the shares continue to offer a good income yield, investors should remember that this is a low-growth or no-growth cyclical business that we bought into when depressed in mid-2002. Over just 2¼ years this investment has increased over 2½-fold in value! Cyclical shares can look cheap at the top of the cycle when profits and dividends are at their peak. We have been rating Villa World as "Hold-" over recent months - indicating that some partial profit-taking is appropriate. The shares have risen to new highs over the last month - so continue to sell into strength and realise further partial profits on this position. The final 7.5 cents dividend will be paid on 29 October, with the shares trading ex-dividend from 15 October.

This is a sound company and "market depth" reveals strong demand for Villa World shares. So there is no rush to sell any of these shares, (*Continued on Page 10*)

**Recommended Investments** (Continued from Page 9) nor any need to sell at depressed prices. The shares, however, are probably near the top of this cycle and partial profit-taking is appropriate over the next several months to release funds that can be more profitably invested in other investments. "Hold-" - realise partial profits.



**Vision Systems** has turned in a flat result for the June 2004 year although the company has made significant progress towards building future high profit margin revenues. Revenues to June 2004 were 6.4% higher at \$141.7 million, while profits were 4.1% lower

at \$11,288,000 (6.5 cents per share). The annual dividend will rise 5.0% to 4.2 cents.

Net operating cashflows fell 39% but remain very strong at \$21.8 million. Investment in Research & Development fell 36%, but also remains high at \$22.8 million. \$14.5 million of R&D was capitalised, while about \$4.5 million was amortised off previously capitalised R&D.

We believe that Vision Systems has outstanding growth potential from its "internationally competitive high value/high quality" products in early warning fire detection, digital surveillance and cancer detection instruments - but turning that *potential* into *actual* revenue growth and profit growth continues to underperform our expectations. The market price of Vision Systems shares has dropped steadily lower over recent years and at 84 cents they trade on a Price/Sales ratio of 1.00, a Price/Earnings ratio of 13 and offer a current Dividend Yield of 5.0%. At that price Vision Systems is being priced as a low growth, low profit margin business and investors could buy these shares simply for their good income yield. If Vision Systems ever comes close to realising its potential then the shares will appreciate at least 4-5 fold in value! "Buy" for income now - and capital appreciation later.

## *Share Recommendation: Buy Australian listed Sonnet Corporation*

*(This section is in Australian currency, unless stated.)*

**BUY Australian listed Sonnet Corporation (code SNN).** Our *Comprehensive Share Selection Criteria* rates Sonnet Corporation as a "Buy" under the *Best Performing Shares* section - so we had a closer look at this small Australian company. It turns out to have everything we look for in an investment: a *low valuation* (a P/E of 8, Yield of 14.3%), *insider buying*, a *large shareholding by management* but *neglected by brokers*. It also earns a *high return on shareholders equity*, generates a *large operating cash surplus* that can either pay high dividends or finance future growth and the shares are in a *strong uptrend*. The shares are also *very actively traded* for a small \$26 million capitalisation company - so not too difficult to purchase in quantity.

Of course, this situation also involves high risks - but, as part of a diversified share portfolio, Sonnet Corporation looks to be an attractive "Buy".

### **Company History**

This company's history is typical of many speculative companies: Formed in 1987 as **Glacial Exploration** its name changed to **Quicksilver Resources NL** in 1989 prior to floating on the Australian stockmarket in early 1990 as a diamond explorer. It then tried diversified

mineral exploration, then acquired some oil and gas assets in 1993 - after which it again changed its name to **Capital Energy NL**.

During the Technology boom the company followed many other speculative exploration companies into becoming a speculative Technology company: It acquired interests in IT consultancy and satellite data communications businesses - and changed its name to **Maxis Corporation**. Readers will not be surprised to learn that in January 2000 the company was placed in voluntary administration and the shares were suspended. The story for many Technology companies ended there - but Sonnet Corporation was to be given yet another chance.

Following a \$2 million capital injection, an entire new board of directors and significant management changes the company was relisted in August 2002. Since then a few things have gone right for the company. The *Managed Networks* division won a "lucrative" sub-contract to provide fully outsourced and managed WAN for a large government department. The loss making telecommunication division was sold in April 2003 for \$50,000 in cash (plus all assets and liabilities), which

realised a \$277,000 gain over book value and - more importantly - removed its \$80,000 per month cash drain from the group. The company also made the strategic acquisition of **Senteq Information Systems** from troubled **National Telecom Group** for \$1,060,000 in cash.

Senteq Information Systems was an important acquisition for this company. Maxis Corporation had cash, IT skills and positive cash flows but lacked a sales team to expand its business and diversify away from its reliance on one large customer. Senteq had a sales team, a large customer base and competitive services and products but lacked strategic management and the working capital to expand. This proved to be a "merger made in heaven" with two loss-making companies with complimentary skills and resources coming together to create a profitable enterprise.

The merger achieved significant opportunities for cross-selling and economies of scale. Right from the start there were annual salary savings of \$500,000.

In October 2003 every five Maxis Corporation shares were consolidated into one "new" Sonnet Corporation share.

In March 2004 **Command & Control** was acquired for \$319,148 (i.e. funded by the issue of 1,500,000 new shares). This is a specialist data and voice solutions integrator "servicing mission critical environments" such as emergency services.

In April 2004 the business assets of **Kinetica Pty** were acquired for \$900,000 (i.e. for 3,420,453 new shares). This business is involved in the design, implementation and maintenance of *Enterprise Management Systems* and generates annual revenues of around \$6 million.

The group's *current* business consists mainly of the remote management of IT infrastructure and related project, help desk and consulting services, plus IT consulting services including procurement and installation.

### **Recent Results**

For the year to June 2002 revenues were \$9.8 million and the company operated at a *loss* of \$2,856,876 (*minus* 13.5 cents per share, adjusted for the 5:1 consolidation). Nevertheless the business generated a strong net operating cashflow of \$2.8 million.

Revenues doubled to \$20.2 million to June 2003 and the company earned a profit of \$890,227 (0.5 cents per share). The net operating cashflow fell, but was still high at \$1.2 million.

The year to June 2004 has shown significant further improvement. Revenues rose 31.5% to \$26.6 million while profits almost *quadrupled* to \$3,421,856 (4.2 cents per share). A 1.5 cents dividend was paid in January 2004, followed by a final 1.5 cents in June and now a second final dividend of 1.5 cents will be paid on 15 October (ex-dividend 1 October), making 4.5 cents for the year. The business continues to generate very high net operating cashflows - \$3.7 million to June 2004 - which has boosted the cash holding to \$5,244,642 (6.4 cents per share). Interest bearing debt is only \$206,422.

### **Investment Criteria**

Based upon the current share price of 31½ cents, Sonnet

Corporation shares trade on a Price/Sales ratio of 0.97, a low Price/Earnings ratio of 8 and offer a very high Dividend Yield of 14.3%. While the company *may* not maintain such a high dividend payout in the future, this business does generate high *free* cashflows which do not need to be re-invested in the business. So this cash is available to finance acquisitions (increasing future profits) or to be returned to shareholders through dividends or share repurchases.

With an issued capital of 82,000,000 shares the market capitalisation is only \$26 million making this a *smaller* Australian listed company. *Smaller* companies are often *neglected* and *under-valued* relative to larger company shares and therefore tend to offer the highest future investment returns. The main problem with *smaller* companies, however, is that they are often *inactively* traded. This is not the case with Sonnet Corporation which trade with a daily turnover of around 500,000 to 1,500,000 shares (i.e. worth around \$150,000 to \$470,000).

That, however, probably isn't enough to *immediately* satisfy buying demand from subscribers to this newsletter. Investors should refer to our article "Strategies for Buying into Recommended Shares" (*Market Analysis* Issue 378, December 2003). Specifically, investors should avoid placing buy orders at high prices before the Australian stockmarket opens (at midday, NZ time) as this will cause the shares to open at an inflated price and then probably weaken during the day as sellers enter the market. Nevertheless, Sonnet Corporation shares are in a very strong uptrend and - helped by the strong profit and dividend announcement - likely to continue to appreciate strongly over the next several months.

Directors have significant investments in Sonnet Corporation. Chief Executive M Dufour, who was responsible for the recapitalisation and relisting of the company in 2002, owns 10,200,000 shares (12.4% of the company). The Chief Operating Officer, A Lopez, holds 2,485,690 shares (3.0%). Non-executive director E Kopp has 400,000 shares.

There have been two *insider* buys over the last year: In October 2003, director R Devries (who resigned in February 2004) purchased 200,000 shares on-market at 17¼ cents to own 806,000 shares and in June 2004 Chief Executive M Dufour purchased 200,000 shares on-market at 25 cents.

We are unable to find any data on institutional shareholdings in Sonnet Corporation but the shares are *neglected* by brokers with no firms publishing profit forecasts.

Technically the shares are in a strong uptrend and have *tripled* in value since hitting an ultimate low of 9 cents in March 2003. The Relative Strength rating is very high at +24.6%, ranked 3 (on a scale of 0-99).

### **Summary and Recommendation**

An investment in Sonnet Corporation involves high risks. The business still relies heavily on one large customer, IT is a very competitive industry and *smaller* companies are more risky than larger companies. Nevertheless, the risk investing in any individual share is limited to 100% (i.e. if it fails and becomes worthless), while there is no limit to the (Continued on Page 12)

**BUY Sonnet Corporation** (Continued from Page 11) returns from a successful company. The shares, however, would only be appropriate to investors with diversified portfolios, prepared to accept higher risks and seeking maximum capital appreciation. The high income yield is a cash bonus - but this is not a share for "widows and orphans" requiring income.

On the positive side, Sonnet Corporation shares look very attractive. At a minimum, the strong share price uptrend, strong profit growth and the dividend should see the shares re-rated to 40-60 cents over the next 6-12 months. At best the strong operating cashflows could finance significant growth both internally and by acquisition - limited only by management's ability to seize opportunities!

**Sonnet Corporation**



## Computer Selections of NZ Shares based upon our Comprehensive Share Selection Criteria

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing" and "Income" shares should be considered for purchase, while the "Over-Valued" and "Worst Performing" shares can generally be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4Wk Chg.	Rank 0-99									
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0													
Richmond Hold.	312	+9.1	+1.9	23	0-1	-	1.0	10	0.6	10	3.6	0.10	128
Smiths City	71	+21.0	+4.2	4	0-1	-	1.2	14	0.9	9	7.4	0.18	38
Col Motor Co	305	+2.0	+0.6	57	1-0	-	1.0	10	0.5	10	9.8	0.21	85
Renaissance	69	+9.5	-1.5	22	1-4	-	2.8	15	1.2	19	15.1	0.26	26
Mainfreight Grp	200	+8.1	+0.4	26	0-5	4	2.6	8	0.8	34	4.9	0.29	191
Wrightson Ltd	149	+4.0	+0.2	45	0-9	3	1.9	9	1.2	20	11.5	0.33	209
Restaurant Brds	127	+1.3	+0.8	62	2-0	4	2.3	23	1.2	10	11.8	0.40	120
Williams Kettle	305	+2.8	+2.5	54	1-1	-	0.9	9	0.6	10	11.7	0.41	68
Allied Farmers	194	+10.3	+1.7	18	0-1	-	1.5	14	0.9	11	8.1	0.41	31
Ebos Group Ltd	390	+4.6	+2.2	43	0-0	-	2.3	18	0.7	13	7.7	0.47	108
Nuplex Indust	512	+7.6	-2.8	28	3-0	4	1.9	19	0.8	10	7.1	0.48	318
Broadway Ind	105	+18.3	-0.5	7	0-0	-	1.3	18	0.8	7	1.9	0.51	21
Fletcher Build.	519	+8.7	+3.1	25	8-0	5	2.0	21	0.6	9	7.2	0.57	2,267
Vertex Group	169	+5.6	+0.6	39	0-4	-	2.2	20	1.1	11	3.5	0.62	54
Design Textiles	145	+13.1	+8.7	14	2-0	-	2.6	21	1.1	13	3.1	0.65	47
Pyne Gould G.	190	+16.7	+0.4	10	0-0	-	1.7	16	0.8	11	7.1	0.66	190
Pyne Gould Corp	605	+3.2	+3.4	52	0-0	-	1.8	21	0.8	9	6.9	0.71	296
Feltex Ltd	167	+1.8	+0.4	60	1-0	-	2.8	23	1.0	12	3.6	0.76	250

<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0													
Affco Holdings	41	+35.7	+8.4	1	0-0	-	1.4	10	1.0	14	Nil	0.25	222
Cabletalk Group	40	+27.8	+14.0	2	2-2	-	2.6	39	1.8	7	Nil	0.23	13
Smiths City	71	+21.0	+4.2	4	0-1	-	1.2	14	0.6	9	7.4	0.18	38
Tol NZ Ltd	226	+20.5	+7.0	4	0-0	2	7.0	-	0.8	4	Nil	0.68	475
Broadway Ind	105	+18.3	-0.5	7	0-0	-	1.3	18	0.6	7	1.9	0.51	21
Pyne Gould G.	190	+16.7	+0.4	10	0-0	-	1.7	16	0.7	11	7.1	0.66	190
Wakefield Hosp.	285	+15.0	+1.1	11	1-0	-	1.4	9	0.5	15	4.2	0.98	37
Design Textiles	145	+13.1	+8.7	14	2-0	-	2.6	21	0.9	13	3.1	0.65	47
Allied Farmers	194	+10.3	+1.7	18	0-1	-	1.5	14	0.7	11	8.1	0.41	31
Mr Chips Hold	115	+10.1	-0.8	19	0-0	-	2.2	16	0.9	14	6.5	0.79	28
Renaissance	69	+9.5	-1.5	22	1-4	-	2.8	15	0.9	19	15.1	0.26	26
Seeka Kiwifruit	510	+9.4	+0.9	22	1-0	-	1.6	12	0.6	13	5.3	0.80	41
Richmond Hold.	312	+9.1	+1.9	23	0-1	-	1.0	10	0.4	10	3.6	0.10	128
Fletcher Build.	519	+8.7	+3.1	25	8-0	5	2.0	21	0.5	9	7.2	0.57	2,267
Nuplex Indust	512	+7.6	-2.8	28	3-0	4	1.9	19	0.7	10	7.1	0.48	318
Dorchester Pac	288	+6.1	-1.6	33	0-2	-	2.0	20	0.7	10	5.2	0.83	60
Richina Pacific	44	+6.0	+1.7	34	0-0	-	0.9	5	1.2	17	Nil	0.14	64
CDL Hotel NZ	46	+5.6	+1.6	39	0-1	-	0.7	7	1.2	9	4.5	0.96	161
Vertex Group	169	+5.6	+0.6	39	0-4	-	2.2	20	0.9	11	3.5	0.62	54
Hellaby Hold.	580	+5.4	+2.5	40	1-1	2	2.9	21	0.4	14	9.0	0.86	285

<b>INCOME SHARES:</b> Highest Yields, Capitalisation > NZ\$100 million													
Restaurant Brds	127	+1.3	+0.8	62	2-0	4	2.3	23	0.9	10	11.8	0.40	120
Wrightson Ltd	149	+4.0	+0.2	45	0-9	3	1.9	9	1.0	20	11.5	0.33	209
NGC Holdings	303	+14.6	+0.9	12	3-0	-	4.4	27	0.7	16	9.4	2.94	1,342
Sky City Ltd	436	+1.9	-1.7	59	0-1	6	8.6	47	0.5	18	9.1	3.03	1,816
Lytellon Port	182	+2.0	+2.7	58	0-0	5	3.7	24	0.6	15	9.0	3.01	186
Hellaby Hold.	580	+5.4	+2.5	40	1-1	2	2.9	21	0.4	14	9.0	0.86	285
Steel & Tube	460	+7.3	+2.7	29	1-0	4	3.2	23	0.6	14	8.8	1.04	405
Ports Auckland	699	-3.5	+0.0	83	1-0	5	1.9	11	0.5	17	8.6	4.49	741
Skelmax Indust	122	+2.5	-0.4	56	1-0	-	4.3	41	0.7	11	8.6	1.15	122
Cavalier Corp	495	-0.8	+1.0	70	1-2	2	4.8	31	0.4	15	8.1	1.62	321

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Cur. rent	4Wk Chg.	Rank 0-99									
<b>INSIDER BUYING:</b> Most Insider Buying, Relative Strength > 0													
Fletcher Build.	519	+8.7	+3.1	25	8-0	5	2.0	21	0.4	9	7.2	0.57	2,267
Michael Hill	681	+10.3	+0.9	17	5-0	2	4.6	26	0.4	17	4.6	1.01	263
NGC Holdings	303	+14.6	+0.9	12	3-0	-	4.4	27	0.6	16	9.4	2.94	1,342
Cue Energy Ltd	7	+0.4	-0.5	65	3-0	-	0.6	3	2.2	23	Nil	3.58	23
Tourism Hold.	188	+9.7	+1.3	20	3-0	3	1.1	7	0.7	16	7.1	1.08	185
F & P Appliance	424	+4.7	-3.4	42	3-0	6	2.0	15	0.6	13	7.1	1.18	1,109
Nuplex Indust	512	+7.6	-2.8	28	3-0	4	1.9	19	0.6	10	7.1	0.48	318
Restaurant Brds	127	+1.3	+0.8	62	2-0	4	2.3	23	0.8	10	11.8	0.40	120
Forty Two Below	53	+9.5	+1.7	21	2-0	-	4.8	-	1.0	NE	Nil	N/A	64
F & P Health.	1345	+4.5	+0.3	44	2-0	8	7.2	29	0.5	25	5.8	6.40	1,375
<b>OVER-VALUED SHARES:</b> Highest Price/Sales Ratios, Relative Strength < 0													
Cert Organics	10	-3.4	-6.7	82	0-0	-	1.4	-	1.9	NE	Nil	7.81	6
Widespread Port	2	-40.3	+2.3	98	0-0	-	0.8	-	2.7	NE	Nil	7.41	5
Ports Auckland	699	-3.5	+0.0	83	1-0	5	1.9	11	0.4	17	8.6	4.49	741
Ind Newspapers	495	-0.2	+0.4	68	0-0	2	1.5	4	0.7	38	2.8	3.70	1,805
Nuhaka Forestry	500	-3.0	+0.2	80	0-0	-	0.9	-	0.3	NE	12.6	2.56	9
South Port NZ	130	-2.4	+0.3	79	0-0	2	1.4	9	0.7	17	7.5	2.30	34
NZ Wine Company	190	-7.6	+1.0	88	0-0	-	0.9	4	0.5	22	4.5	2.11	16
<b>WORST PERFORMING SHARES:</b> Weakest Shares, P/S Ratio > 0.25, Yield < Twice Average													
Widespread Port	2	-40.3	+2.3	98	0-0	-	0.8	-	2.5	NE	Nil	7.41	5
Media Tech.	11	-19.3	-2.1	97	0-3	-	1.7	-	2.8	NE	Nil	1.86	9
SkyCity Leisure	76	-14.8	+1.9	95	0-0	-	2.8	11	1.5	25	Nil	1.29	52
Blis Technology	14	-12.5	-0.6	93	0-1	-	2.9	-	1.4	NE	Nil	N/A	9
WN Drive Tech.	47	-11.9	-0.1	93	0-1	-	12.6	-	0.9	NE	Nil	N/A	65
Abano Health.	13	-11.5	+4.1	92	0-0	-	0.6	-	1.4	NE	Nil	0.40	26
Blue Chip NZ	130	-11.1	-1.8	91	0-0	-	-	-	1.2	NE	Nil	0.48	68
Botry-Zen Ltd	10	-10.2	-2.5	91	0-2	-	9.0	-	1.3	NE	Nil	N/A	16
Finzsoft Sol'ns	90	-9.6	-5.1	90	0-0	-	2.3	10	0.5	23	Nil	1.38	7
Genesis Res.	64	-9.2	+0.7	90	0-0	-	0.6	-	1.1	NE	Nil	1.68	17
NZ Wine Company	190	-7.6	+1.0	88	0-0	-	0.9	4	0.5	22	4.5	2.11	16
VTL Group Ltd	100	-7.3	-1.5	88	0-0	-	1.6	11	1.2	15	3.3	1.06	30
Evergreen	40	-7.3	+1.8	87	0-0	-	0.8	-	0.7	NE	Nil	1.55	62
Briscoe Group	143	-6.6	+3.5	86	0-0	6	3.3	26	0.9	13	7.3	0.95	300
Sanford Limited	435	-6.5	-1.5	86	0-1	1	0.9	9	0.4	10	6.7	1.21	416
Summit Gold Ltd	6	-5.9	+0.0	85	0-0	-	1.4	-	1.9	NE	Nil	N/A	5
Air New Zealand	190	-4.8	-0.1	85	0-0	6	0.9	14	0.8	7	Nil	0.32	1,139
Northland Port	276	-3.8	+1.1	84	0-0	2	1.4	4	0.6	34	4.3	N/A	114
Cert Organics	10	-3.4	-6.7	82	0-0	-	1.4	-	1.8	NE	Nil	7.81	6
Warehouse Group	460	-3.3	+2.4	81	3-0	7	4.1	23	0.6	18	4.7	0.69	1,405
<b>INSIDER SELLING:</b> Most Insider Selling, Relative Strength < 0													
Media Tech.	11	-19.3	-2.1	97	0-3	-	1.7	-	2.7				



# Computer Selections of Australian Shares based upon our Comprehensive Share Selection Criteria

See "Market Analysis" issues 298-301 or the Reprint sent to all new subscribers for details. These shares are not formal "buy" and "sell" recommendations, but the "Under-Valued", "Best Performing", "Income" and "Insider Buying" shares should be considered for purchase, while the "Over-Valued", "Worst Performing" and "Insider Selling" shares can be sold to release money for re-investment in more attractive shares.

Company	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy-Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank											Share Price	Current	4-Wk Chg.	Rank									
<b>UNDER-VALUED SHARES:</b> Lowest Price/Sales, Yld > 0, Rel Strength > 0														<b>BEST PERFORMING SHARES:</b> Strongest Shares, P/E < 20, P/S < 1.0													
Auto Group Ltd	69	+4.2	+1.7	29	1-0	-	5.3	56	1.0	9	2.9	0.04	23	MBF Carpenters	36%	+101.8	+28.6	0	0-0	-	0.4	10	1.8	4	Nil	0.12	36
Ruralco Hold.	386	+1.5	-1.3	39	0-0	-	-	-	0.5	20	3.6	0.07	42	Tag Pacific	28	+35.4	+6.8	2	1-0	-	1.5	24	1.3	6	1.8	0.34	18
Aust Pure Fruit	132	+28.6	-9.8	2	0-0	-	2.6	16	0.7	16	1.5	0.12	38	Aust Pure Fruit	132	+28.6	-9.8	2	0-0	-	2.6	16	0.5	16	1.5	0.12	38
Namoi Cotton	48	+0.1	+3.3	45	1-0	-	-	-	1.3	6	5.2	0.16	53	Dark Blue Sea	32	+25.9	-14.3	3	1-0	-	16.0	-	1.7	14	Nil	1.00	11
Cellnet Group	150	+4.0	-1.4	29	5-0	2	1.6	20	0.8	8	7.7	0.17	75	Chieftain Sec.	11	+24.9	+36.1	3	0-1	-	1.5	-	1.9	1	Nil	0.40	2
A.P. Eagers	720	+2.7	+0.6	34	0-0	1	1.1	8	0.4	13	4.6	0.17	141	Sonnet Corp Ltd	32	+24.6	+0.3	3	2-0	-	6.3	83	1.0	8	14.3	0.97	26
CTI Logistics	59	+5.5	+1.0	25	0-0	-	0.7	8	1.1	9	1.7	0.20	15	Watpac Ltd	114	+23.4	+5.8	4	2-0	-	2.6	28	0.6	9	6.1	0.30	84
Data 3 Ltd	240	+6.1	+2.0	24	0-0	-	6.3	59	0.7	11	6.5	0.21	36	Caltex Australia	940	+22.9	-4.1	4	0-0	4	2.1	16	0.7	13	1.9	0.24	2,538
Bridgestone	300	+4.3	+1.5	29	0-0	-	0.7	7	0.6	10	4.2	0.21	110	Austral Limited	144	+21.3	+3.6	4	2-1	3	2.1	15	0.8	14	Nil	0.90	278
Queens'd Cotton	416	+6.7	+2.4	21	2-0	1	0.9	10	0.5	9	2.4	0.21	116	Oriental Tech.	17	+21.0	-4.6	5	0-0	-	1.4	19	2.0	7	Nil	0.63	20
Raptis Group	49	+12.1	-1.6	11	0-0	-	1.6	44	1.1	4	4.1	0.22	30	Penfold Buscomb	137	+20.4	+1.4	5	5-0	-	3.0	26	0.5	12	4.0	0.48	52
CMI Limited	220	+1.4	+2.4	39	0-0	1	4.4	74	0.7	6	5.5	0.23	63	Noni B Limited	268	+19.2	+7.0	5	2-1	-	5.1	26	0.7	19	3.2	0.85	85
Devine	77	+3.9	+4.0	30	1-1	-	1.2	21	1.1	6	10.4	0.24	89	Computronics	29	+19.0	+8.2	5	1-0	-	1.9	25	1.2	8	Nil	0.55	9
Joyce Corp.	75	+3.2	+5.7	32	0-0	-	1.1	17	1.1	6	6.7	0.24	15	B Digital Ltd	37	+18.9	+4.3	6	3-0	-	9.1	49	1.8	19	Nil	0.76	215
Crane Group	930	+3.6	+3.2	30	2-1	5	2.0	-	0.4	NE	6.5	0.24	511	Coffey Int'l	910	+18.1	+13.8	6	1-0	-	8.3	53	0.4	16	4.8	0.85	111
Metcash Trading	275	+5.3	+0.1	26	0-2	10	7.6	44	0.6	17	4.0	0.24	1,751	Murchison Un.	3	+17.8	+9.1	6	0-0	-	-	-	3.1	2	Nil	0.13	5
Hamilton James	43	+2.7	+3.6	34	0-0	-	8.5	71	1.1	12	5.9	0.24	26	Korvest Ltd	400	+15.6	+0.3	7	3-1	-	2.1	22	0.6	10	2.3	0.68	34
Caltex Australia	940	+22.9	-4.1	4	0-0	4	2.1	16	0.8	13	1.9	0.24	2,538	Cool or Cosy	49	+13.2	-0.6	9	2-0	-	6.1	70	1.0	9	5.8	0.95	19
Watpac Ltd	114	+23.4	+5.8	4	2-0	-	2.6	28	0.8	9	6.1	0.30	84	Brazin Limited	192	+12.8	+3.5	10	1-0	4	4.1	22	0.7	19	3.1	0.54	226
Ross Human Dir.	84	+12.0	+5.4	11	0-0	-	3.5	28	1.2	13	4.2	0.30	50	Raptis Group	49	+12.1	-1.6	11	0-0	-	1.6	44	0.8	4	4.1	0.22	30
Catalyst Rec'nt	90	+11.6	+7.8	12	0-0	-	-	0.9	1.5	4.4	0.31	34	Ross Human Dir.	84	+12.0	+5.4	11	0-0	-	3.5	28	1.0	13	4.2	0.30	50	
Atlas Grp Hold.	116	+7.0	+6.1	21	3-0	-	2.1	21	1.0	10	6.7	0.31	97	Catalyst Rec'nt	90	+11.6	+7.8	12	0-0	-	-	-	0.7	15	4.4	0.31	34
Ridley Corp.	137	+1.4	+2.9	39	0-2	4	1.3	6	0.8	21	4.2	0.31	369	Monadelphous Gr	685	+11.5	+1.5	12	2-1	-	3.6	23	0.4	16	4.4	0.60	134
MacMahon Hold	32	+1.7	+4.1	38	1-0	-	1.3	12	1.6	10	1.6	0.32	120	Ludowici Ltd	495	+10.6	-0.6	13	0-0	-	2.0	12	0.4	17	3.1	0.83	78
The Reject Shop	252	+9.0	+4.5	16	0-0	-	-	0.9	1.1	10	1.0	0.33	61	AHC Ltd	210	+10.6	+2.2	13	0-0	-	0.9	14	0.6	7	1.2	0.96	12
Supply Network	52	+1.4	+1.6	40	0-0	-	1.4	17	1.1	8	4.8	0.34	11	Boral Limited	706	+10.5	+2.8	14	0-0	10	1.9	17	0.4	11	4.2	0.98	4,113
Tag Pacific	28	+35.4	+6.8	2	1-0	-	1.5	24	1.7	6	1.8	0.34	18	Auspine Ltd	375	+9.7	+0.5	15	2-0	1	0.9	13	0.3	7	5.5	0.93	202
Downer EDI Ltd	389	+0.5	+3.8	44	0-0	7	2.2	17	0.8	13	3.5	0.34	1,097	CEC Group Ltd	153	+9.5	+5.0	15	0-0	-	-	-	0.9	8	15.0	0.96	61
Skilled Eng.	278	+2.3	-0.4	36	2-0	4	9.9	61	0.7	16	5.8	0.36	266	Burns Philp	71	+9.4	+1.7	15	0-0	5	-	-	0.9	13	Nil	0.43	1,443
Paperlin X Ltd	545	+3.6	+2.1	31	6-0	8	1.8	8	0.6	22	5.0	0.39	2,431	Trysoft Corp	13	+9.3	+2.7	16	0-0	-	4.3	32	1.8	13	Nil	0.35	3
Adcorp Aust.	118	+2.7	+1.1	34	1-0	3	9.8	67	0.7	15	5.5	0.39	72	The Reject Shop	252	+9.0	+4.5	16	0-0	-	-	-	0.8	11	1.0	0.33	61
Candle Aust.	178	+7.8	+1.9	18	1-0	1	5.9	38	0.9	15	5.1	0.39	70	Gregory Indust.	30	+8.9	+2.9	16	0-0	-	1.1	14	1.2	8	Nil	0.25	4
Smorgon Steel	118	+3.3	+1.1	32	1-0	8	-	-	1.1	23	5.5	0.40	1,039	Candle Aust.	178	+7.8	+1.9	18	1-0	1	5.9	38	0.7	15	5.1	0.39	70
OM Holdings	106	+24.3	+8.3	4	0-0	-	3.8	15	0.9	25	0.9	0.40	67	Guinness Peat	184	+7.6	+0.7	19	0-11	-	1.3	15	0.5	9	1.3	0.92	1,395
Coles Myer	900	+6.2	-0.1	23	2-1	11	4.0	16	0.6	25	2.9	0.40	10,912	Fantastic Ltd	246	+7.2	+1.6	20	1-3	-	6.2	53	0.5	12	2.8	0.71	163
Embelton Ltd	340	+5.6	-0.4	25	0-0	-	1.1	9	0.6	13	4.0	0.41	7	Belmont Hold.	159	+7.2	-0.4	20	3-0	-	1.1	46	0.8	2	6.9	0.50	5
Oldfields Hold	100	+6.2	-1.0	23	1-0	-	0.9	8	0.8	11	5.0	0.42	10	Atlas Grp Hold.	116	+7.0	+6.1	21	3-0	-	2.1	21	0.8	10	6.7	0.31	97
Spotless Group	497	+0.9	-0.7	42	0-0	8	-	-	0.7	46	4.6	0.42	1,044	Cardno Ltd	175	+6.7	+2.9	21	1-0	-	-	-	0.9	14	2.6	0.95	62
Futuris Corp.	180	+5.2	+3.7	26	4-0	5	1.9	4	1.0	50	4.4	0.44	1,186	Queens'd Cotton	416	+6.7	+2.4	21	2-0	1	0.9	10	0.4	9	2.4	0.21	116
David Jones	190	+12.8	+2.2	10	2-0	8	1.9	9	0.7	21	3.2	0.44	782	Village Road.	211	+6.5	+2.1	22	0-1	4	1.2	8	0.9	14	Nil	0.33	727
Angus & Coote	811	+5.2	-1.9	26	2-0	-	1.6	9	0.4	17	4.4	0.44	97	Campbell Bros	707	+6.4	+1.9	23	4-0	1	4.5	23	0.4	19	4.7	0.72	283
Lend Lease Corp	1112	+2.0	+1.0	37	1-0	9	2.1	16	0.7	13	4.0	0.46	4,450	Integrated Grp	220	+6.2	+3.7	23	0-1	2	5.0	38	0.6	13	4.5	0.46	154
Integrated Grp	220	+6.2	+3.7	23	0-1	2	5.0	38	0.7	13	4.5	0.46	154	Oldfields Hold	100	+6.2	-1.0	23	1-0	-	0.9	8	0.6	11	5.0	0.42	10
Penfold Buscomb	137	+20.4	+1.4	5	5-0	-	3.0	26	0.7	12	4.0	0.48	52	Cabcharge Ltd	364	+6.1	+2.0	23	0-1	6	3.6	20	0.5	18	3.8	0.60	413
Belmont Hold.	159	+7.2	-0.4	20	3-0	-	1.1	46	0.9	2	6.9	0.50	5	Data 3 Ltd	240	+6.1	+2.0	24	0-0	-	6.3	59	0.6	11	6.5	0.21	36
Wayne Group Ltd	400	+7.7	+5.6	19	1-0	7	3.2	12	0.6	27	4.3	0.51	2,561	Vealls Ltd	160	+6.1	-4.5	24	0-0	-	-	-	0.4	3	5.2	0.66	22
Woolworths Ltd	1308	+1.0	+1.3	42	0-0	12	15.0	68	0.4	22	3.4	0.51	13,484	Sims Group Ltd	1220	+5.8	+2.5	24	0-1	6	3.1	31	0.5	10	5.4	0.59	1,111
Coventry Group	645	+1.7	+2.2	38																							

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n
	Share Price	Current	4-Wk Chg.	Rank 0-99											Current	4-Wk Chg.	Rank 0-99	Current									
<b>INCOME SHARES:</b> Highest Yields, Capitalisation > AS\$250 million																											
Jubilee Mines	398	+7.2	+5.2	20	1-1	3	3.7	71	0.4	5	11.3	2.11	496	Waterco Ltd	295	+5.4	+3.1	25	5-0	-	2.4	21	0.3	11	5.1	0.83	62
Burswood Ltd	135	+3.8	-4.0	30	1-0	-	2.0	13	0.6	15	10.4	1.77	662	Payce Consol.	251	+4.6	-3.3	28	5-0	-	1.5	28	0.4	6	Nil	1.00	85
Aust Pipeline	275	+1.2	+1.8	41	0-0	8	1.6	25	0.4	6	10.2	2.65	756	Breakfree Ltd	254	+15.8	+1.3	7	5-0	-	-	-	0.4	16	3.3	1.60	112
Gasnet Aust Grp	232	+2.4	-0.0	36	0-0	4	1.1	8	0.5	15	9.5	3.26	325	Coates Hire	418	+10.9	+2.5	13	5-0	6	2.7	15	0.4	18	3.1	1.83	858
Envestra	110	+2.2	+0.5	37	0-0	7	-	-	0.5	37	8.6	2.83	847	Penfold Buscomb	137	+20.4	+1.4	5	5-0	-	3.0	26	0.4	12	4.0	1.48	52
Prime Infra Grp	128	+4.9	-0.2	27	3-0	-	1.4	5	0.6	29	8.2	3.71	567	Beyond Int'l	33	+0.3	+1.2	44	5-0	-	1.0	11	0.8	9	Nil	0.23	20
Stn C. Fliers	11420	+0.5	-0.4	43	0-0	-	1.1	9	0.2	12	7.9	N/A	685	Ausquest Ltd	30	+8.2	+18.6	18	5-0	-	-	-	0.9	NE	Nil	N/A	10
ION Limited	157	-3.9	+3.3	61	2-1	6	1.4	10	0.6	14	7.6	0.56	398	Ariadne Group	36	+4.7	+5.9	27	5-0	-	-	-	0.7	15	2.8	0.74	79
Australand Prop	177	-0.7	+1.8	51	0-0	4	1.3	10	0.5	13	7.5	0.87	1,221	Cellnet Aust	150	+4.0	-1.4	29	5-0	2	1.6	20	0.6	8	7.7	0.17	75
Millers Retail	138	-8.1	+1.3	72	0-3	4	3.0	3	0.7	111	6.9	0.86	335	Clinical Cell	47	+1.1	-2.1	41	5-0	-	9.4	-	0.9	NE	Nil	N/A	42
Peet & Company	146	+1.6	+1.2	39	0-0	-	-	-	0.8	10	6.8	4.51	292	Soul Pattinson	825	+10.7	+5.4	13	5-0	1	2.7	12	0.4	22	2.1	4.56	1,969
Kingsgate Cons.	327	-3.6	-1.2	60	0-0	-	-	-	0.3	7	6.7	3.22	279	PMP Limited	169	+13.0	-2.2	9	5-0	3	5.5	19	0.9	28	Nil	0.40	494
City Pacific	505	+6.5	+0.1	22	0-3	-	6.2	60	0.5	10	6.5	7.75	458	Computershare	370	+3.5	+3.4	31	6-1	8	-	-	0.8	29	2.2	2.12	2,007
Crane Group	930	+3.6	+3.2	30	2-1	5	2.0	-	0.3	NE	6.5	0.24	511	APN News Media	460	+6.7	+1.3	21	6-1	8	1.9	9	0.5	21	4.0	1.86	2,175
Platinum Cap'l	233	+1.2	+0.5	41	0-2	-	1.3	10	0.5	14	6.4	N/A	271	Centro Prop.	453	+3.1	+1.3	33	4-0	8	1.5	9	0.3	16	6.7	9.84	2,911
Djerriwarrh	349	+1.2	+0.5	40	1-4	-	1.1	6	0.5	18	6.2	N/A	550	ING Indust Trt	198	+3.3	+1.6	32	4-0	7	1.2	9	0.5	14	7.2	8.76	1,408
Nat'l Aust Bank	2710	-5.1	-1.5	64	0-0	13	2.6	25	0.4	10	6.0	1.59	41,080	Rinker Group	862	+11.8	+0.3	12	4-0	-	4.3	22	0.5	19	1.6	1.51	8,145
AV Jennings	184	-4.3	-2.7	62	6-2	-	1.5	26	0.6	6	6.0	0.72	396	Newcrest Mining	1499	+12.0	+1.9	11	4-0	9	5.4	13	0.5	40	0.3	6.92	4,925
Pacifica Group	363	-5.8	-1.0	67	0-0	7	2.0	20	0.6	10	5.9	0.50	494	Futuris Corp.	180	+5.2	+3.7	26	4-0	5	1.9	4	0.7	50	4.4	0.44	1,186
Aust Infra.	198	+7.0	+4.0	21	0-0	5	1.0	9	0.4	12	5.8	N/A	453	ChemGenex Pharm	48	+3.7	+0.5	30	4-0	-	9.6	-	0.9	NE	Nil	N/A	42
Skilled Eng.	278	+2.3	-0.4	36	2-0	4	9.9	61	0.5	16	5.8	0.36	266	ING Office Fund	126	+1.1	+0.5	41	4-0	8	1.1	9	0.4	12	8.1	7.17	1,136
Wattyl Ltd	348	-6.1	-0.8	67	3-1	5	1.3	-	0.5	NE	5.7	0.54	291	Allied Gold Ltd	25	+0.7	-2.3	43	4-0	-	-	-	1.0	NE	Nil	N/A	6
GWA Internat'l	320	+4.1	+1.5	29	1-0	5	2.1	15	0.4	14	5.6	1.31	891	Promina Group	437	+9.4	+1.1	15	4-0	-	2.3	13	0.5	17	2.9	1.20	4,624
AWB Limited	448	+0.2	-1.4	45	1-1	4	3.3	7	0.5	46	5.6	0.64	1,412	Ronin Property	120	+1.4	+0.7	40	4-0	-	1.1	8	0.5	14	7.8	N/A	1,077
Smorgon Steel	118	+3.3	+1.1	32	1-0	8	-	-	0.8	23	5.5	0.40	1,039	Macquarie Good.	182	+2.9	+1.4	33	4-0	7	1.3	7	0.4	18	6.7	N/A	2,026
<b>INSIDER BUYING:</b> Most Insider Buying, Relative Strength > 0																											
Sundowner Group	16	+0.6	-0.7	43	12-0	-	0.6	8	1.0	8	5.4	1.21	28	Investa Prop.	203	+0.1	+0.9	46	4-0	8	1.1	8	0.5	14	8.1	4.56	2,913
HHG Plc	121	+8.6	+0.7	17	12-0	-	-	-	0.6	NE	Nil	0.20	1,774	Wedgetail Exp.	4	+11.0	+10.5	13	4-0	-	-	-	2.0	NE	Nil	N/A	32
Bendigo Bank	1030	+1.5	-0.4	39	12-0	7	-	-	0.4	18	3.3	3.49	1,436	Heron Resources	29	+34.4	+17.6	2	4-0	-	-	-	1.1	NE	Nil	N/A	31
Hillcrest Res.	4	+5.7	+4.2	24	11-0	-	-	-	2.2	NE	Nil	N/A	4	Campbell Bros	707	+6.4	+1.9	23	4-0	1	4.5	23	0.3	19	4.7	0.72	283
Macquarie Air.	241	+13.6	+2.5	9	11-0	-	-	-	0.5	7	3.3	5.25	2,534	Mobile Innov.	16	+2.5	+5.8	35	4-0	-	1.8	28	1.2	6	Nil	1.10	18
G.R.D. NL	211	+3.9	+5.5	30	11-1	-	2.5	11	0.7	23	1.4	1.99	449	Strathfield Grp	16	+6.2	+2.4	23	4-0	-	4.0	-	1.3	NE	Nil	0.24	48
Loftus Capital	73	+1.1	+0.1	41	8-0	-	0.9	7	0.5	14	4.8	1.66	38	Global Mining I	93	+1.4	+2.0	40	4-0	-	-	-	0.8	266	Nil	N/A	72
Globe Int'l Ltd	56	+9.4	+5.5	15	8-0	4	3.5	11	1.3	33	1.8	1.24	232	Metroland Aust	22	+0.8	-1.3	42	4-0	-	1.4	24	0.8	6	9.3	1.62	17
Brickworks Ltd	1135	+12.1	+4.4	11	8-0	2	2.5	26	0.3	10	2.1	3.07	1,496	Gowing Brothers	255	+4.4	+1.3	28	5-1	-	1.0	4	0.4	28	2.7	5.11	116
BQT Solutions	44	+2.8	+1.7	33	8-0	-21.8	-	0.6	NE	Nil	N/A	59	Mark Sensing	14	+9.0	+3.9	16	5-1	-	2.7	8	1.2	36	Nil	1.27	27	
Equity Trustees	820	+3.5	+0.8	31	7-0	-	4.0	22	0.5	18	3.7	2.63	52	Gazal Corp	325	+4.3	+2.1	29	3-0	-	4.1	23	0.4	18	4.8	1.00	192
Impress Venture	7	+13.4	+3.5	9	7-0	-	-	-	2.0	NE	Nil	3.99	8	Beaconsfield Gc	50	+28.8	-15.3	2	3-0	-	-	-	0.5	6	Nil	1.78	72
Servcorp Ltd	245	+7.0	+2.2	21	7-0	1	3.3	16	0.7	21	3.1	1.83	196	Home Bldg Soc.	582	+10.2	+6.8	14	3-0	-	1.6	10	0.4	16	3.8	1.29	88
Finbar Intern'l	39	+7.4	+6.6	19	6-0	-	1.1	14	0.7	8	5.2	3.41	35	Crusader Hold.	23	+2.3	+4.7	36	3-0	-	-	-	1.2	NE	Nil	N/A	4
Southcorp Ltd	351	+1.5	-0.3	39	6-0	11	2.8	5	0.4	57	Nil	2.26	2,613	Hansen Tech.	32	+18.7	+12.7	6	3-0	-	8.0	15	1.1	55	3.1	0.67	36
Medical Dev Int	88	+15.6	-2.6	7	6-0	-	-	-	0.7	105	0.3	N/A	50	Jetset Travel	50	+28.6	+13.8	2	3-0	-	12.5	-	0.8	12	3.0	1.72	46
Grange Resource	67	+7.5	+9.4	19	6-0	-	-	-	0.7	9	Nil	1.71	47	Prime Infra Grp	128	+4.9	-0.2	27	3-0	-	1.4	5	0.6	29	8.2	3.71	567
Xceed Biotech.	29	+3.3	-5.1	32	6-0	-	1.7	-	0.7	NE	Nil	N/A	25	Macquarie DDR	114	+3.0	+1.4	33	3-0	-	1.1	3	0.6	37	4.9	N/A	813
Ainsworth Game	86	+11.4	+12.1	12	6-0	2	3.3	6	0.8	60	Nil	2.00	127	Eastern Corp	6	+18.9	+12.2	6	3-0	-	-	-	1.8	NE	Nil	N/A	19
Paperlin X Ltd	545	+3.6	+2.1	31	6-0	8	1.8	8	0.4	22	5.0	0.39	2,431	QRSciences Hold	30	+11.9	+14.1	11	3-0	-	10.0	-	0.7	NE	Nil	N/A	47
SFE Corporation	683	+7.0	-2.7	21	5-0	-	5.7	25	0.4	23	3.2	8.87	901	Metals Exp.	82	+19.5	-2.1	5	3-0	-	5.1	54	0.8	10	3.7	5.00	27
														Auth Invest Fd													
														14 +13.8 -13.2 9 3-0 -0.7 -1.3 NE Nil N/A 3													
														Structural Syst													
														55 +12.6 +4.9 10 3-0 -2.2 -0.6 NE Nil 0.18 14													
														Macarthur Cook													
														75 +1.6 -1.7 38 3-0 - -0.8 NE Nil 3.45 14													

# "Strongest" NZ Shares

Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following	Price to NTA	Return on Equity	Volatility	Price/Earn. Ratio	Dividend Yield	Price/Sales Ratio	Market Cap'n	Company	STRENGTH RATING				Insider Buy/Sell	Brokers Following
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# "Neglect" Ratings of Australian Shares

"Neglected" Shares = 1-4 Brokers, "Moderately Followed" Shares = 5-10 Brokers, "Widely Followed" Shares = 11 or more Brokers.

Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)	Company	No. of Brokers Following Company	Market Capitalisation (A\$ Mill.)
A.P. Eagers	1	141	Citect Corp Ltd	4	49	Institute Drug	1	106	Pro Maintenance	9	228
AMP Ltd	11	11,662	Clough Limited	2	252	Insurance Aust.	11	8,325	Pro Medicus Ltd	2	74
ANZ Bank	13	33,252	Coal & Allied	2	2,511	Int'l Wine Inv.	1	122	Publishing & Br	9	8,996
APN News Media	8	2,175	Coates Hire	6	858	Integrated Grp	2	154	Q.B.E. Insur.	8	8,456
ARB Corporation	5	226	CocaCola Amatil	9	5,015	Intellect Hold	1	15	Qantas Airways	13	6,107
AWB Limited	4	1,412	Cochlear Ltd	8	1,083	Investa Prop.	8	2,913	Queens'd Cotton	1	116
AXA Asia Pac	9	6,768	Coles Myer	11	10,912	Investor Group	4	221	RG Capt'l Radio	5	172
Adacel Tech.	1	23	Collection Hse	5	154	Iress Mkt Tech	6	375	Ramsay Health	9	794
Adcorp Aust.	3	72	Colorado Group	6	505	James Hardie	10	2,550	Reece Australia	1	996
Adelaide Bright	6	764	Com'wealth Bank	14	37,984	Jubilee Mines	3	496	Ridley Corp.	4	369
Adelaide Bank	11	818	Commander Comm.	2	277	K&S Corporation	3	153	Rio Tinto Ltd	11	49,939
Adsteam Marine	4	381	Computershare	8	2,007	Keycorp Ltd	1	147	Roc Oil Company	2	184
Adtrans Group	2	86	Cons Rutile	1	148	Leighton Hold	7	2,667	Rural Press Ltd	8	992
Ainsworth Game	2	127	Corp Express	10	1,013	Lend Lease Corp	9	4,450	SMS Mgmt & Tech	4	130
Alesco Corp Ltd	4	406	Count Financial	2	202	Lihir Gold	8	1,310	SP Telecom.	1	430
Alinta Limited	4	988	Crane Group	5	511	M.Y.O.B. Ltd	4	337	STW Comm Group	6	514
Altium Limited	3	31	DCA Group Ltd	3	847	Macarthur Coal	5	425	Santos Ltd	8	3,822
Amalgamated Hld	1	468	David Jones	8	782	Macquarie Infra	5	3,274	Servcorp Ltd	1	196
Ambri Limited	1	43	Deutsche Div Tr	6	1,286	Macquarie C'Wde	7	1,205	Seven Network	9	1,034
Amcor Ltd	10	6,409	Deutsche Office	7	1,366	Macquarie Off.	8	1,186	Sigma Company	8	1,116
Amrad Corp.	1	73	Deutsche Ind Tr	6	656	Macquarie G Mgt	4	1,044	Silex Systems	1	178
Aristocrat Leis	9	3,249	Downer EDI Ltd	7	1,097	Macquarie Leis.	2	216	Sims Group Ltd	6	1,111
Auspine Ltd	1	202	E.R.G.	1	193	Macquarie Bank	7	7,471	Skilled Eng.	4	266
Aust Agricult.	3	274	ETRADE Aust.	1	125	Macquarie Good.	7	2,026	Smorgon Steel	8	1,039
Aust Pharm. Ind	6	566	Emperor Mines	1	74	Mayne Group Ltd	7	2,561	Sonic Health	7	2,458
Aust W'wide Exp	4	456	Energy Resource	1	641	McGuigan Simeon	6	544	Soul Pattinson	1	1,969
Aust Infra.	5	453	Energy Develop.	7	1,135	Metabolic Phar.	1	309	Southcorp Ltd	11	2,613
Aust Gas Light	8	6,132	Envestra	7	847	Metcash Trading	10	1,751	Spotless Group	8	1,044
Aust Pipeline	8	756	Evans & Tate	1	102	Mia Group Ltd	9	730	St George Bank	11	11,011
Aust Stock Exch	9	1,580	FKP Limited	4	410	Millers Retail	4	335	Stargames Ltd	2	119
Austar United	3	1,009	Fairfax (John)	11	3,510	Mincor Resource	2	126	Starpharma Hold	1	93
Austal Limited	3	278	Fantastic Hold.	3	357	Mirvac Group	8	3,200	Sthn Cross Brd.	9	745
Austereo Group	9	584	Flight Centre	7	1,827	Mosaic Oil NL	1	60	Stockland	6	7,214
Australand Prop	4	1,221	Foodland Assoc	10	1,971	Nat'l Aust Bank	13	41,080	Straits Res.	1	52
BHP Billiton	11	49,919	Foster's Group	11	9,240	Nat'l Foods	8	1,348	Suncorp-Metway	9	7,996
Bank of Q'land	6	750	Futuris Corp.	5	1,186	Newcrest Mining	9	4,925	Sydney Aquarium	4	113
Baycorp Advant.	4	732	G.U.D. Holdings	7	609	News Corporatio	8	23,120	Symex Holdings	1	124
Bendigo Bank	7	1,436	GWA Internat'l	5	891	Norwood Abbey	1	121	Tabcorp Holding	8	6,141
Billabong Int'l	9	1,927	Gandel R. (CFS)	8	2,895	Novogen Ltd	1	486	Tap Oil	5	257
Biota Holdings	1	55	Gasnet Aust Grp	4	325	Nufarm Limited	6	985	Technology One	6	188
Boral Limited	10	4,113	General Prop Tr	6	7,019	Oil Search Ltd	8	1,470	Telstra	12	61,248
Brambles Ind.	10	11,667	Globe Int'l Ltd	4	232	Onesteel Ltd	8	3,142	Tempo Services	7	100
Brazin Limited	4	226	Graincorp	3	523	Open Telecom.	1	6	Ten Network	9	1,334
Brickworks Ltd	2	1,496	Grand Hotel	3	158	Orica Ltd	6	4,567	Thakral Holding	3	470
Bunnings W/hse	5	507	Gribbles Group	5	197	Origin Energy	7	4,072	Ticor Ltd	1	320
Burns Philp	5	1,443	Gt Sthn Plant'n	2	763	Oroton Group	1	90	Toll Holdings	8	3,621
C'wth Prop Off.	8	1,767	Gunns Ltd	5	1,250	PMP Limited	3	494	Transurban Grp	8	3,009
C.S.R. Ltd	9	2,048	Harvey Norman	9	3,012	Pacific Hydro	6	477	Transfield Serv	7	716
CMI Limited	1	63	Healthscope	5	300	Pacifica Group	7	494	United Group	8	603
CSL Limited	6	5,304	Henry Walker E.	2	175	Paperlin X Ltd	8	2,431	Villa World	1	178
Cabcharge Ltd	6	413	Hills Indust.	4	612	Patrick Corp	8	2,874	Village Road.	4	727
Caltex Austria	4	2,538	Hills Motorway	8	1,528	Peptech Limited	1	229	Vision Systems	3	146
Campbell Bros	1	283	Hpal Limited	3	196	Perp Trust Aust	11	1,813	Volante Group	3	179
Candle Aust.	1	70	Hutchison Tel.	8	588	Peter Lehman W.	2	99	Wattyl Ltd	5	291
Capral Alum.	2	224	ING Indust Trt	7	1,408	Portman Limited	4	319	Wesfarmers Ltd	11	11,347
Carindale Prop	1	191	ING Office Fund	8	1,136	PowerTel Ltd	1	4	West Aust News	10	1,624
Cellnet Group	2	75	ION Limited	6	398	Primary Health	4	604	Westpac Banking	13	31,802
Centennial Coal	8	745	Iluka Resources	8	1,083	Prime TV	8	328	Woodside Petrol	10	12,280
Centro Prop.	8	2,911	Infomedia Ltd	5	218	Prime Retail	3	419	Woolworths Ltd	12	13,484
Chiquita Brands	2	107									

# "Neglect" Ratings of NZ Shares

Company	No. of Brokers Following Company (NZ\$ Mill.)	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company (NZ\$ Mill.)	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company (NZ\$ Mill.)	Market Capitalisation (NZ\$ Mill.)	Company	No. of Brokers Following Company (NZ\$ Mill.)	Market Capitalisation (NZ\$ Mill.)
AMP NZ Office	6	351	GDC Communicat.	1	7	Northland Port	2	114	Sky Network TV	5	2,018
Air New Zealand	6	1,139	Hallenstein G.	3	200	Nuplex Indust	4	318	South Port NZ	2	34
Akd Int Airport	8	2,153	Hellaby Hold.	2	285	Owens Group Ltd	1	65	Steel & Tube	4	405
Briscoe Group	6	300	Horizon Energy	2	100	Pacific Retail	2	123	Telecom Corp	8	10,963
Calan Hlthcare	2	121	Ind Newspapers	2	1,805	Port Tauranga	4	174	Tol NZ Ltd	2	475
Cap Properties	6	235	Infratil NZ	3	703	Ports Auckland	5	741	Tourism Hold.	3	185
Carter Holt	7	3,085	Kiwi Property	5	690	Powerco Limited	4	648	Tower Limited	8	795
Cavalier Corp	2	321	Lyttelton Port	5	186	Property F Ind.	6	195	Trans-Tasman	3	226
Contact Energy	5	3,533	Mainfreight Grp	4	191	Restaurant Brds	4	120	Trust Power Ltd	3	748
F & P Appliance	6	1,109	Metro. LifeCare	1	229	Sanford Limited	1	416	Warehouse Group	7	1,405
F & P Health.	8	1,375	Michael Hill	2	263	Sky City Ltd	6	1,816	Waste Mgmt NZ	7	492
Fletcher Build.	5	2,267	NZ Refining Co	2	529				Wrightson Ltd	3	209

# Trial Access to our Investment Services

For the first time in 23½ years - and for the month of September only - we are making all three of our investment services, *Market Analysis*, *International Investor* and the *Online Share Selection*, available for trial. So if you only subscribe for one or two of these services this is your chance to examine our other services via the internet at [www.stockmarket.co.nz](http://www.stockmarket.co.nz).

To access any of these services, use "guest" as both the Username and Password.

We have recently made a couple of upgrades to our *Online Share Selection* database, which is updated weekly at about midday each Saturday. Firstly, we have added monthly historical data to the *Interactive Share Selection* section going back to January 2003. This data is free of the "survivorship bias" common on other historical databases and can be used by investors to "back test" any share selection of your choice. Secondly, we have added detail to the *Insider Buying and Selling* data. Click on the Buy-Sell figures to see when insiders bought or sold those shares.

## Dividends

Company	Cents per Share	Ex-Date	Pay-able	Tax Credit
Allied Farmers	5.00	27-09	11-10	Full
Auckland Int'l Airport	17.30	18-10	29-10	Full
Broadway Industries	2.00	25-10	29-10	Nil
Capital Properties	1.90	06-09	17-09	0.35
Cavalier Corporation	14.50	04-10	08-10	Full
Colonial Motor Company	9.50	14-10	27-10	Full
Designer Textiles	3.00	20-09	24-09	Full
Ebos Group	11.00	04-10	08-10	Full
Feltex	6.00	04-10	08-10	Nil
Fletcher Building	14.00	25-10	11-11	Full
Freightways Holdings	6.90	20-09	30-09	Full
Hellaby Holdings	19.00	04-10	08-10	Full
Hirequip	2.00	20-09	24-09	Full
ING Property Trust	2.0675	13-09	17-09	0.6075
INL	3.00	20-09	24-09	Full
Lyttelton Port Company	7.25	11-10	15-10	Full
MG Property Trust	1.89275	06-09	17-09	0.93225
Michael Hill International	13.00	11-10	18-10	Full
Mike Pero Mortgages	2.00	20-09	27-09	Full
NGC Holdings	10.50	06-09	13-09	Full
Northland Port	5.00	20-09	24-09	Full
Northland Port (special)	10.00	20-09	24-09	Full
Nuplex Industries	13.00	04-10	15-10	Full
NZ Experience	2.00	20-09	29-09	Full
NZ Refining Company	100.00	24-09	28-09	Full
Port of Tauranga	13.00	27-09	08-10	Full
Ports of Auckland	25.50	13-09	21-09	Full
Pyne Gould Corporation	17.00	13-09	20-09	Full
Pyne Gould Corporation (spec)	3.00	13-09	20-09	Full
Pyne Gould Guinness	5.00	13-09	17-09	Full
Pyne Gould Guinness (spec)	3.00	13-09	17-09	Full

Renaissance Corporation	3.00	27-09	01-10	Full
Seeka Kiwifruit	9.00	13-09	15-09	Full
Skellmax Industries	4.00	11-08	15-08	Full
Sky City	15.50	27-09	08-10	Full
South Port NZ	3.75	04-10	08-11	Full
Steel & Tube Holdings	15.00	06-09	10-09	Full
Taylor's Group	6.00	06-09	16-09	Full
Teamtalk	9.00	18-09	-	Full
Telecom NZ	9.50	30-08	10-09	Full
Tourism Holdings	5.00	18-10	22-10	Full
Turners Auctions	10.00	20-09	30-09	Full
VTL Holdings	3.32	08-11	19-11	Nil
Waste Management NZ	9.90	30-08	03-09	Full

### Australian Shares

AJ Lucas Group	4.50	25-11	16-12	
Candle Australia	5.00	06-09	17-09	
Cellnet Group	5.00	06-09	15-10	
Circadian Technologies	50.00	11-10	-	
Commander Communications	2.00	17-09	07-10	
Computershare	5.00	31-08	24-09	
Melbourne IT	2.00	23-08	24-09	
OAMPS	10.00	01-10	29-10	
Ross Human Directions	2.00	20-09	15-10	
Skilled Engineering	10.00	21-09	19-10	
Sonnet Corporation	1.50	01-10	15-10	
Technology One	1.60	06-09	24-09	
Toll Holdings	12.00	06-09	30-09	
UXC	3.00	11-10	29-10	
Villa World	7.50	11-10	29-10	
Vision Systems	2.20	25-08	14-09	

## Current Issues

### CASH ISSUES

	Ratio	Price	Ex-Date	Appln Date
GDC Communicaions	4:5	10	13-09	01-10

### NEW ISSUES

	Price	Date	EPS	DPS
Dominion Finance	100	-	-	-
Southern Travel	130	-	8.0	5.2

### Next Issue

The next issue of *Market Analysis* will be posted in five weeks time on Tuesday October 12, 2004 (and delivered in most areas on Wednesday 13).

Subscribers who have updated their account online with an e-mail address will also receive the Electronic version in their e-mail Tuesday morning.

### Total Return Index for All Listed Shares

Aug 9	2192.69	Aug 16	2202.85
Aug 10	2191.38	Aug 17	2208.33
Aug 11	2202.29	Aug 18	2205.08
Aug 12	2200.74	Aug 19	2199.83
Aug 13	2203.75	Aug 20	2203.79
Aug 23	2214.94	Aug 30	2227.34
Aug 24	2206.35	Aug 31	2232.84
Aug 25	2210.90	Sep 1	2227.68
Aug 26	2212.40	Sep 2	2234.55
Aug 27	2217.20	Sep 3	2222.13

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